

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

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
25

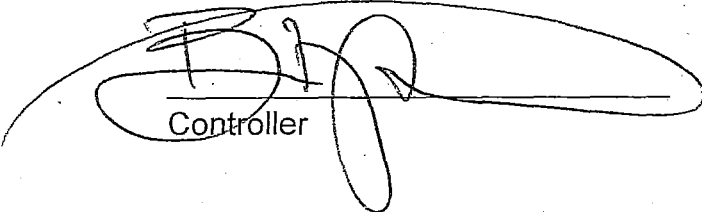
1 long-term staffing projections and the reasons for increases in staffing and/or office space, if
2 applicable; and, be it

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.

14
15 \$1,250,000 available
16 Index Code:

17
18 
19 Controller

19 RECOMMENDED:

20 
21 Director of Property

23 RECOMMENDED:

24 
25 City Administrator

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *EW* Mayor Edwin M. Lee *JE*
RE: Negotiations for Potential City Acquisition of a New Office Building to be
Constructed at 1500-1580 Mission Street
DATE: July 8, 2014

Attached for introduction to the Board of Supervisors is the resolution approving an exclusive negotiation agreement and letter of intent with Related California Urban Housing, LLC for the potential City purchase of an office building to be developed at 1500-1580 Mission Street (Lot 2 and Lot 3, Block 3506) at an estimated purchase price of \$253,000,000, and authorizing non-refundable payments of \$1,000,000 toward land acquisition costs and up to \$250,000 toward schematic design costs.

I request that this item be calendared in ~~Budget and Finance Committee~~ on July 16th.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

EW
2014 JUL -9 PM 2:09
RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

June 4, 2014

William A. Witte, President
Matthew L. Witte, Principal
Related California Urban Housing, LLC
18201 Von Karman Ave., Suite 900
Irvine, CA 92612

RE: Exclusive Negotiations Agreement and Letter of Intent Regarding Potential City Purchase of Real Property from Related California

Dear Bill and Matt:

The City and County of San Francisco (the "City") is pleased to learn Related California Urban Housing, LLC ("Related") recently signed a letter of intent with Goodwill Industries of San Francisco, San Mateo and Marin Counties, Inc. ("Goodwill") to acquire approximately 110,772 square feet of real property located at 1500-1580 Mission Street in San Francisco (the "Goodwill Property"). We also understand that at the conclusion of your due diligence, Related intends to enter into a purchase and sale agreement and lease with Goodwill on or before June 4, 2014. At such time, Related intends to deposit \$5,000,000 into escrow, which deposit shall become non refundable and applied to the final purchase price. Related's acquisition of the Goodwill Property is scheduled to close on or before September 4, 2014 (the "Related Closing Date").

We have discussed Related's plan to reserve a portion of the Goodwill Property (the "Office Parcel") for the development of a Class A administrative office building (the "Proposed Office Building") as more particularly described below (collectively, the "Office Project"). The Office Project will be part of a mixed use development to be developed by Related with the balance of the Goodwill Property currently planned to be a high density multifamily residential complex of approximately 550 units with retail on the ground floor (collectively, the "Project"). The City could then acquire the Office Project following required environmental review and upon completion in accordance with a conditional purchase and sale agreement.

Related prepared and the City staff reviewed and concurred with conceptual site plans, typical floor plans, sections and preliminary massing studies for the Office Project. As currently envisioned, the Office Project will consist of approximately 462,000 gross square feet, excluding parking areas, on 14 floors. Related's architects prepared conceptual drawings, and its contractor provided a detailed cost estimate and scope of work for the Office Project which have been incorporated into the preliminary development budget, attached as Exhibit A.

This letter agreement (this "ENA") sets forth the terms on which the City and Related will exclusively negotiate for a potential City acquisition of the Office Project. During the negotiation and environmental review process, and for so long as this ENA remains in effect, the City and Related agree to work collaboratively with Related's architect and contractor on pricing and design matters so as to further refine the specifications, scope and cost of the Office Project in keeping with the City's operational and budgetary constraints while also maintaining the compatibility of the Office Project with the adjacent residential development being planned by Related on the balance of the Goodwill Property.

Under this ENA, the City, acting through the Director of Property, and Related agree as follows:

1. The City's Director of Property and Related have each approved a letter of intent outlining the general terms and conditions for the City's potential acquisition of the Office Project (the "LOI"). The LOI is attached as Exhibit B.
2. Upon Related's execution and delivery of the LOI, the City's Director of Property shall seek Board of Supervisors ("Board") endorsement of this ENA and the LOI, together with authorization to make the nonrefundable Availability Payment and to pay the City's share of the initial schematic design costs (collectively, the "City Non-Refundable Payments") as set forth in the LOI. If the Board does not endorse this ENA and the LOI and provide authorization to make the City Non-Refundable Payments on or before July 31, 2014, then either the City or Related may terminate negotiations and this ENA without cost or penalty by notifying the other of such termination. All City payments due under this ENA to Related are conditioned on and subject to (and will not occur until after) the Board endorsement, if any, and concurrently with Related's acquisition of the Goodwill Property, if at all.
3. Upon Related's execution and delivery of the LOI, the Director of Property shall, working with the City Attorney's Office, promptly draft a purchase and sale agreement consistent with the LOI (the "conditional PSA"). Each party shall be responsible for its own negotiating costs and for any third party costs incurred by such party during negotiations, and agrees to proceed with such costs at its sole risk. Related staff and the Director of Property will negotiate in good faith to reach mutually agreeable terms, as to form and substance, including a formula for determining the purchase price based on square footage for the conditional PSA as quickly as practical but in any event, unless extended by both parties in writing, the City shall secure Board endorsement of the conditional PSA on or before October 31, 2014 (the "PSA Endorsement Date"), provided (i) either party can terminate negotiations and this ENA without cost or penalty if the Board does not endorse this ENA and the LOI and authorize payment of the City Non-Refundable Payments by July 31, 2014, (ii) either party can terminate negotiations and this ENA without cost or penalty if Related does not acquire the Goodwill Property on or before the Related Closing Date, and (iii) City can terminate negotiations and this ENA after the Related Closing Date but before the PSA Endorsement Date without cost or penalty upon the City's payment of any City Non-Refundable Payments that are due and owing to Related as of the date of termination. During negotiations of the conditional PSA, Related further agrees that it will prepare the initial schematic designs and continue to prepare documents and applications for environmental review and entitlements.
4. Following Related's receipt of the first payment of the City Non-Refundable Payments, neither party can during the negotiations period for the conditional PSA (as set forth in paragraph 5

below) insist on terms that are materially different from or more burdensome to the other party (“Changed Terms”) with respect to the matters identified in the LOI. Continued insistence on Changed Terms, following written notice and a 15-day opportunity to cure or retract such insistence on the Changed Terms, shall be deemed a breach of this ENA. Upon any breach by the City, Related can terminate negotiations and this ENA and the City shall be required to pay, to the extent not previously paid, any City Non-Refundable Payments due and owing as of the date of termination. Upon any breach by Related, the City can terminate negotiations and this ENA and Related shall be required to return all City Non-Refundable Payments made by the City before the date of termination, together with interest at the average 2014 rate earned by City on its cash reserves, compounded monthly, from the date of each City payment to the date of Related’s reimbursement to the City. That rate is estimated at 0.90% per year. The above remedies are the sole remedies available for any breach of the terms of this ENA, and there are no other remedies available at law or in equity for any breach by either party. Any Project changes, mitigation measures or alternatives required by the City acting in its regulatory capacity during Project entitlement or as a condition of Project entitlement, including changes in design or density but excluding the economic terms agreed to between Related and the City in the LOI, resulting from environmental review under CEQA, shall not be deemed Changed Terms under the ENA.

5. The negotiation period under this ENA shall begin on the date both parties execute this ENA, and shall end on the date of termination of negotiations by either party as set forth in this ENA or, if there has been no termination, on the PSA Endorsement Date. During the negotiations period, (1) each party agrees to negotiate in good faith for the conditional PSA based on the terms set forth in the LOI, (2) Related agrees that it will not negotiate with any other party for the sale of the Office Parcel or the Office Project, and (3) the City’s Director of Property agrees, acting on his own or in conjunction with any agent of the City, not to negotiate for any other property (site or building) in which to relocate the City personnel intended to occupy the Office Project. The City personnel intended to occupy the Office Project are: Planning Department from 1650 Mission St., Department of Building and Inspection from 1660 Mission St., Retirement from 30 Van Ness Ave. and 1145 Market St., Health Services from 1145 Market St., Department of Public Works from 30 Van Ness Ave. and 1155 Market St. and 1680 Mission St. and City Hall. Any such negotiations with another party shall be deemed a breach by the offending party without a cure period, and shall entitle the other party to the remedy for breach set forth above.
6. Upon the completion of negotiations for the conditional PSA, if successful, the Director of Property agrees to promptly seek Board and Mayor endorsement and approval and then promptly execute the conditional PSA to authorize Developer to proceed with the design development work. Any such approval shall be given or denied in the sole discretion of the Board and the Mayor, in accordance with applicable law, and City staff shall not be required to lobby Board members or the Mayor to obtain such approvals or continue seeking approvals following an initial Board action on the Office Project. The Director of Property shall further seek Board ratification of the conditional PSA and authorization to proceed with the proposed purchase and design build transaction upon certification of the environmental review documents, as described in the LOI.
7. The City understands that Related intends to seek land use entitlements for the Project following completion of environmental review regardless of whether the ENA is terminated or

the parties enter into the conditional PSA. Upon any such entitlement, Related shall have the unfettered ability to proceed with development and leasing to other third parties if the City and Related do not enter into the conditional PSA for any reason or the City fails to purchase the Office Project in accordance with the terms of the conditional PSA.

8. The City understands that although Related is the named purchaser in the purchase and sale agreement with Goodwill, Related intends to form an affiliated single purpose entity ("Related Affiliate") to acquire and develop the Goodwill Property. Under the Goodwill purchase and sale agreement, Related has the right to assign its rights and obligations to a Related Affiliate prior to closing of the acquisition. City agrees that Related will have the right to assign its rights and obligations under this ENA and the LOI to the Related Affiliate that acquires the Goodwill Property, provided that (i) the Related Affiliate assumes the obligations of Related under this ENA and the LOI, and (ii) if the Related Affiliate breaches this ENA or the LOI and does not reimburse the City funds as required, then the City shall have the right to seek reimbursement of such funds from Related.

This ENA and the attached LOI is a preliminary statement of parties' general intentions with regard to the proposed purchase transaction. The City and Related mutually intend that neither party shall have any liability to the other except as expressly set forth in this ENA following Related's receipt of the first payment of the City's Non-Refundable Payments. The City has no obligation to enter into the conditional PSA, and the failure of negotiations by itself, despite the parties' good faith efforts, shall not be deemed a breach of this ENA. If there is any legal challenge to this ENA, each party shall be responsible for its own legal costs and for providing its own defense; provided, either party can choose to terminate this ENA as set forth above. This ENA is personal to Related and the City, and is not assignable without the prior written consent of the other party. Time is of the essence, for the benefit of both parties.

Pursuant to CEQA Guidelines Section 15004(b)(2)(A), the City may "designate a preferred site for CEQA review and may enter into land acquisition agreements when the agency has conditioned the agency's future use of the site on CEQA compliance," but may not acquire property for a project that may have a potential impact on the environment until there has been complete compliance with the California Environmental Quality Act and the City's Environmental Quality Regulations (S.F. Admin. Code Chapter 31). If the Project is found to cause significant adverse impacts that have not been mitigated, the City retains absolute discretion to: (1) modify the Project to mitigate significant adverse environmental impacts, (2) select feasible alternatives which avoid significant adverse impacts of the Project, (3) require the implementation of specific measures to mitigate the significant adverse environmental impacts of the Project, as identified during the environmental review process, (4) reject the Project as proposed if the economic and social benefits of the Project do not outweigh otherwise unavoidable significant adverse impacts of the project, or (5) approve the Project upon a finding that the economic and social benefits of the Project outweigh otherwise unavoidable significant adverse impacts. Accordingly, the PSA for the Office Project shall be contingent on the City ratifying the acquisition after all environmental review has been completed in accordance with law. Any City failure to ratify the conditional PSA following environmental review must be based upon information revealed through the environmental review process and not the economic terms of the proposed transaction. This ENA and the LOI establish the terms for negotiations and payments for certain limited pre-development planning, design and opportunity costs that must be incurred by Related during negotiations. While this ENA and the LOI summarizes certain essential terms for negotiations relative

to a proposed City acquisition, it does not set forth all of the material aspects of any such acquisition or Project. There is no legal obligation for the City to proceed with an acquisition unless and until the parties have negotiated, executed and delivered a mutually acceptable conditional PSA and the City has ratified the conditional PSA following environmental review.

This ENA and the LOI contains all of the agreements of the parties with respect to any matter covered or mentioned in this ENA or the LOI, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. Any amendment to this ENA must be in writing and signed by the parties. This ENA shall be governed by and construed in accordance with California law.

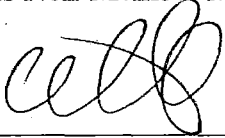
We look forward to negotiating and working with you on this transaction, and are hopeful that we can reach mutually acceptable terms and agreements to allow the City to proceed with the proposed acquisition.

The parties have duly executed this letter as of the respective dates written below.

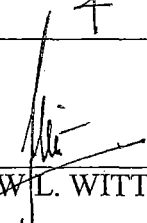
DEVELOPER:

RELATED CALIFORNIA URBAN HOUSING, LLC, a California limited liability company

By: The Nicholas Company, Inc., a Delaware corporation, Its Non-Member Manager

By: 
WILLIAM A. WITTE, President

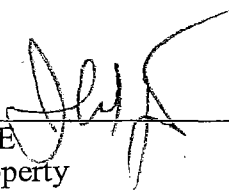
Date: 7TH June 2014

By: 
MATTHEW L. WITTE
Principal

Date: 7TH June 2014

CITY:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: 
JOHN UPDIKE
Director of Property

Date: June 4, 2014

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney


By: 
CHARLES SULLIVAN
Deputy City Attorney

EXHIBIT A

SCOPE OF WORK & COST ESTIMATES

EXHIBIT A - SCOPE OF WORK & COST ESTIMATES

GOODWILL SITE

Related Companies of California

Budget	Factor	Value	\$ / GSF
Land Price	\$65 / GSF	30,000,000	64.89
Real Estate Commissions	1.00%	2,412,239	5.22
Related Development Fee (Mgmt)	4.00%	7,954,729	17.20
Related Development Fee (Financing) ⁽¹⁾	1.00%	1,988,682	4.30
Soft Costs	\$18 / GSF	8,322,300	18.00
Fees & Permits ⁽²⁾	Calculated	13,167,471	28.48
Core & Shell ⁽³⁾	\$301 / GSF	139,263,450	301.21
Tenant Improvements ⁽⁴⁾	\$50 / GSF	23,117,500	50.00
Finance Costs	Calculated	14,352,821	31.04
Soft Cost Cont.	3.0%	644,693	1.39
Total		\$241,223,886	\$521.73

Sources of Funds	% of Total	Value	\$ / GSF
Equity	0.0%	0	0.00
Debt	100.0%	241,223,885	521.73
Total	100.0%	\$241,223,886	\$521.73

Property Metrics	
Gross Buildable SF	462,350

Construction Loan Assumptions	
Financing LTC	100.0%
Interest Rate	5.0%
Points / Closing Costs	1.0%

Sale Assumptions	
Sale Year ⁽⁵⁾	3 Yrs
Profit to Related on Total Cost	5.0%

Development Costs	\$241,223,886
+ Profit to Related	12,061,194
Total Sale Price	\$253,285,080

Period	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Acquisition Price	-30,000,000							
Development Costs (Land Includes Closing Costs)		-98,435,532	-98,435,532					
Sale Value ⁽⁵⁾				253,285,080	0	0	0	0
- Transaction Costs				0	0	0	0	0
Net Proceeds				253,285,080	0	0	0	0
Unlevered Cash Flow⁽⁶⁾	-\$30,000,000	-\$98,435,532	-\$98,435,532	\$253,285,080	\$0	\$0	\$0	\$0
- Origination Points / Closing Costs	-2,412,239							
+ Borrowings	32,412,239	102,415,726	106,395,920	0				
- Interest Payments		-3,980,194	-7,960,388	0	0	0	0	0
- Principal Payments				0	0	0	0	0
- Repayment of Principal at Refinance / Sale				-241,223,885	0	0	0	0
Levered Cash Flow⁽⁶⁾	\$0	\$0	\$0	\$12,061,194	\$0	\$0	\$0	\$0

NOTES

- (1) Charged on 100% LTC debt raise
- (2) See attachment for detail
- (3) As provided by Sinwerton; assumes restoration of historic clock tower and historic façade of southeasterly wall
- (4) Assumes \$50 per square foot
- (5) Assumes sale on Day 1 of Year 3 - i.e. assumes sale on day after TCO. Assumes 24 month development period
- (6) Does not include carry costs (only exposure is real estate taxes) or pre-development expenses

**PROJECT CHESS - "Go Big" - Option 1
 RELATED**



JOB	PROJECT CHESS	PROJECT TYPE	OFFICE
LOCATION	SAN FRANCISCO	STRUCTURE TYPE	CIP CONCRETE
OWNER	RELATED	NO. STORIES ABOVE GRADE	14
ARCHITECT	BAR	NO. STORIES BELOW GRADE	2
STR.ENG.	KPFF	GROSS OFFICE AREA	462,350
EST. DATE	8-May-14	RETAIL	
DWG. PHASE	CONCEPTUAL	MEP	
REVISION NO			
REV. DATE			
	625 SF/CAR	BELOW PARKING SPACES	118 73,800
		TOTAL GROSS FLOOR AREA	536,150
		PROJECT DURATION - MONTHS	24
	CONCEPTUAL DRAWINGS	GROSS SITE AREA-SQ.FT.	46,225
	14 STORY OFFICE BUILDING POST TENSIONED CONCRETE FRAME		
FILENAME	Project Chess - QTO-Detail - Go Big.xlsx	START DATE	2-May-14
		PERCENT OF TOTAL COST	TOTAL COST BUILDING

DIV 2 SITE DEVELOPMENT		4.53%	6,165,725	11.50
DIV 3 CONCRETE		20.11%	27,343,650	51.00
DIV 4 MASONRY		0.20%	268,075	0.50
DIV 5 METALS		2.37%	3,216,900	6.00
DIV 6 WOOD AND PLASTIC		0.39%	536,150	1.00
DIV 7 THERMAL AND MOISTURE PROTECTION		2.56%	3,484,975	6.50
DIV 8 DOORS AND WINDOWS		10.65%	14,476,050	27.00
DIV 9 FINISHES		9.46%	12,867,600	24.00
DIV 10 SPECIALTIES		0.59%	804,225	1.50
DIV 11 EQUIPMENT		0.79%	1,072,300	2.00
DIV 12 FURNISHINGS		0.20%	268,075	0.50
DIV 13 SPECIAL CONSTRUCTION		0.00%	0	0.00
DIV 14 CONVEYING EQUIPMENT		3.15%	4,289,200	8.00
DIV 15 MECHANICAL		16.56%	22,518,300	42.00
DIV 16 ELECTRICAL		7.89%	10,723,000	20.00
GENERAL REQUIREMENTS		1.77%	2,412,675	4.50
JOB EQUIPMENT		1.58%	2,144,600	4.00
SUBTOTAL DIRECT COSTS		82.80%	112,592,000	210.00
GENERAL CONDITIONS		2.76%	3,753,050	7.00
SUBGUARD INSURANCE	YES 1.15%	1.15%	1,242,000	2.32
PRECONSTRUCTION SERVICES	YES	0.07%	100,000	0.19
GENERAL CONTRACTOR'S CONTINGENCY	5.00%	4.33%	5,884,353	10.98
SUBTOTAL		90.88%	123,571,403	230.48
BUILDER'S RISK INSURANCE	NO	0.00%	0	0.00
GENERAL LIABILITY INSURANCE	YES	0.92%	1,250,184	2.33
BUILDING PERMIT	BY OWNER	0.00%	0	0.00
STREET SPACE PERMIT	YES	0.22%	300,000	0.56
GENERAL CONTRACT BONDS	NO	0.00%	0	0.00
SUBTOTAL		92.02%	125,122,000	233.37
CONTRACTOR OVERHEAD AND FEE	3.50%	3.50%	4,379,000	8.17
SUBTOTAL		95.24%	129,501,000	241.54
OWNER'S DESIGN CONTINGENCY	5.00%	4.76%	6,475,050	12.08
TOTAL		100.00%	135,976,050	253.62

ADDITIONAL SCOPE OF WORK NOT INCLUDED IN ABOVE COST

BRACING OF EXISTING FAÇADE	6,714 SF	\$ 250.00 /SF	ADD \$ 1,678,500
SEISMIC RESTORATION OF CLOCK TOWER	7,500 SF	\$ 125.00 /SF	ADD \$ 937,500
EXTERIOR RESTORATION OF FAÇADE	6,714 SF	\$ 100.00 /SF	ADD \$ 671,400

\$ 3,287,400 \$ 6.13



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

EXHIBIT B

LETTER OF INTENT TO PURCHASE A PORTION OF 1500-1580 MISSION STREET

June 4, 2014

The City and County of San Francisco (the "City" or "Buyer") is interested in purchasing improved real property from Related California Urban Housing, LLC ("Related" or "Developer"). Concurrently with this letter of intent (this "LOI"), the parties have signed an exclusive negotiating agreement (the "ENA"). This LOI outlines the general terms and conditions under which the City and Related agree to negotiate a purchase and sale agreement for so long as the ENA remains in effect.

PROJECT OVERVIEW:

On or before September 3, 2014 (the "Closing Date"), Related anticipates acquiring 110,772 square feet of real property located at 1500-1580 Mission Street in San Francisco (the "Goodwill Property"). Upon acquiring the Goodwill Property, Related will serve as the master developer of a high-quality, mixed use development on the property (the "Project"). Related intends to develop approximately 550 residential units (the "Residential Project") on the western portion of the site (the "Residential Parcel") and a Class A office building on the eastern portion of the site (the "Office Parcel"). The City would acquire the Office Parcel and the completed office building (the "Proposed Office Building") (collectively, the "Office Project") immediately after the issuance of a final certificate of occupancy for the Proposed Office Building, subject to and in accordance with the terms set forth in a purchase and sale agreement described below (the "conditional PSA").

Promptly following execution of this LOI, the parties will begin to negotiate the conditional PSA consistent with the terms of this LOI, with an initial draft provided by the City. During negotiations, Related and its agents and the City and its agents shall work diligently to refine the final design and specifications for and establish the total project costs and schedule for development of the Office Project. Related will advance all costs required to produce more detailed architectural and preliminary engineering drawings and shall engage SOM to complete the schematic design phase of the Office Project. Related shall also engage a structural engineer and geotech consultant as it continues working with its general contractor, Swinerton Builders, to complete this phase of work.

If the parties are successful in the negotiations for the conditional PSA, the parties will seek an endorsement and approval by the City's Board of Supervisors of the conditional PSA and authorization to spend additional funds for the design development documents. Following such approval and authorization and the completion of environmental review, the Board of Supervisors must elect whether to proceed with the proposed acquisition or to reject the acquisition based solely on the identified environmental impacts of the Office Project and not based on the economic or other terms of the proposed acquisition, as set forth in this LOI (and in the conditional PSA).

TERMS AND CONDITIONS:

- Buyer:** City and County of San Francisco, a municipal corporation.
- Developer:** Related California Urban Housing, LLC, a California limited liability company.
- Office Parcel:** Approximately 45,000 sq. ft. of land, as shown in Attachment A.
- Location:** Real Property located on a portion of Block 3506, Lots 02 and 03 at 1500-1580 Mission Street, San Francisco, CA 94103.
- Proposed Office Building:** Approximately 462,350 gross square feet of administrative office space, as further described in Attachment B. The square footage may be increased by Buyer during negotiations by up to ten percent with the approval of Developer which approval shall not be withheld unless the increase would (i) reduce the size of or otherwise materially negatively impact the Residential Project, (ii) materially reduce the Developer's fee and profit on the Office Project transaction or (iii) materially impact the timing or process or procuring the entitlements. Buyer may decrease the square footage at its option but any decrease will not reduce the land cost allocated to the Office Parcel or the Developer's anticipated fee and profit from the Office Project as a percentage of total cost as set forth in Exhibit A to the ENA. Any dispute regarding these matters will be addressed in an expedited dispute resolution process to be included in the conditional PSA.
- Floors:** 14
- Parking:** Two subsurface levels of parking. Exact number of spaces to be determined during subsequent design phase.
- Type of Sale:** Design and build-to-suit; closing and payment of purchase price upon final completion of improvements and issuance of final certificate of occupancy.
- Estimated Purchase Price:** Two Hundred Fifty Three Million Two Hundred Eighty-Five Thousand Eighty Dollars (\$253,285,080, or \$547.82 per building sq. ft.) based on the current conceptual drawings prepared by BAR and the hard cost estimate and scope of work prepared by Swinerton Builders. The final purchase price, or a precise formula for any fluctuations in the final purchase price with a not-to-exceed amount, shall be included in the conditional PSA. The conditional PSA shall detail the specific contingencies included in the final purchase price, and Buyer shall have the ability, working with Developer, to value engineer or redesign the Office Project as bids are received in order to keep the purchase price

below the stated not-to-exceed amount. The conditional PSA may also specifically describe any penalties for delayed completion and incentives for early completion.

**Cost Structure To Determine
Final Purchase Price:**

Land acquisition costs for the Office Parcel (\$30 million, or 46% of the \$65 million acquisition price from Goodwill Industries), together with the actual third party costs incurred by Developer, without markup, in connection with the design and construction of the Proposed Office Building, including the CEQA process, all architectural and engineering costs, legal and entitlement costs, regulatory fees (including any fees to increase the FAR), carrying costs on the land and all predevelopment costs incurred between the closing on the land purchase from Goodwill and the acquisition of the Office Project by Buyer, brokerage commissions due to Cassidy Turley, financing costs and leasing contingency costs associated with the construction loan, to the extent not previously paid by Buyer as part of the City Non-Refundable Payments. Developer will maintain separation of the predevelopment and soft costs for the Office Project and for the Residential Project, and where costs are appropriately attributable to both, they will be divided on a percentage share basis between the Office Project and the Residential Project as listed in the conditional PSA. The purchase price will also include a developer fee and profit equal to ten percent (10%) of the total development costs. Any unused contingencies or reserves, and Buyer's negotiation costs, will not be included in the purchase price.

Any change order in excess of One Hundred Thousand Dollars (\$100,000) must be approved by Buyer in writing before the applicable work commences. Buyer shall have the right to require change orders as needed to reduce costs and that result in a commensurate reduction in the purchase price; provided, Developer shall not be required to make any Buyer-requested change order unless (i) Buyer approves the specific change order and any increase or decrease in the purchase price resulting from the change order and (ii) the proposed change order does not materially reduce the quality of the building's exterior from that which was approved by Developer and Buyer at the completion of the design development phase. Any dispute regarding these matters will be addressed in an expedited dispute resolution process to be included in the conditional PSA.

**Initial Schematic
Design Costs:**

Buyer shall reimburse Developer's actual third party schematic design costs for the Office Project up to Two Hundred Fifty Thousand Dollars (\$250,000) for work performed by Developer's architects and engineers to develop a project description and feasibility analysis for environmental review. Such costs shall be invoiced monthly during negotiations following the Effective Date of this LOI (and, if applicable, during the term of the conditional PSA), and payable by Buyer within

thirty (30) days of receipt of the invoice and reasonable backup documentation. Buyer shall own the schematic designs paid for by Buyer, and Developer shall ensure that all rights of Developer in the schematic designs are transferable to Buyer without limitation or consent of the applicable architects and engineers. All schematic design costs paid by Buyer to Developer shall be credited against the Purchase Price at closing. If Buyer terminates negotiations for any reason other than a Developer default, Developer shall have the right to purchase the Initial Schematic Design Drawings from Buyer at a price equal to any payments Buyer has made to Developer for such Initial Schematic Design Drawings.

**Design Development and
Construction Documents
Costs:**

Following the Board's endorsement of this LOI and Buyer's approval of the schematic designs, Developer, working with the City's Director of Property, will prepare a detailed estimate and schedule for completion of all of the design and engineering work required to obtain final pricing for the Office Project (the "Design Development and Construction Documents Work") for presentation to the Board with the conditional PSA. If the Board endorses and approves the conditional PSA, it will at that time authorize Developer to proceed with the Design Development and Construction Documents Work. Developer and Buyer will equally share the costs of the approved Design Development and Construction Documents Work (the "DD/CD Costs"). Developer shall perform the Design Development and Construction Documents Work, and DD/CD Costs will be paid by Buyer to Developer as part of the purchase price for the Office Project at closing.

Notwithstanding payment at closing, Developer shall provide to Buyer, for Buyer's review and approval, monthly invoices and appropriate backup documentation for the DD/CD Costs as such costs are incurred. If, following execution, the conditional PSA terminates and there is no default by either party, then the City shall reimburse Developer for the City's share of the DD/CD Costs within sixty (60) days following the termination of the conditional PSA; provided if Developer elects to proceed with the design and entitlement of the Office Project following such termination, then City shall not be required to reimburse Developer for the DD/CD Costs. In no event shall the City's share of the DD/CD Costs exceed the lower of (i) the amount of the City's share of the DD/CD Costs approved by the City in writing on the PSA Endorsement Date and incurred by Developer before the date of termination of the ENA or conditional PSA, as applicable, and (ii) Two Million Nine Hundred Eleven Thousand One Hundred Fifty Dollars (\$2,911,150). Each level of design and construction drawings, plans and specifications will be subject to Buyer's review and approval, in accordance with a process set forth in the conditional PSA.

Soft Costs:

Other than the initial Schematic Design costs, Developer will fund all costs associated with the Office Project during pre-development and development, including all investigation, design, architectural, engineering, permitting (including all regulatory permits from the City and others if needed), and financing costs. Buyer shall be responsible for reimbursing Developer for Buyer's share of the DD/CD Costs as set forth above.

Hard Costs:

Developer will be responsible for arranging for a commercially reasonable construction loan to fund all development costs for construction of the Office Project. The construction loan will be subject to Buyer's prior approval, which shall not be unreasonably withheld. At the construction loan closing (following Buyer's election to proceed with the Office Project after the completion of environmental review), Buyer shall invest thirty percent (30%) of the anticipated total development cost (not including the broker fee and Developer's profit as shown in ENA Exhibit A) of the Proposed Office Building, less the Availability Payment and any payments made by City for the Initial Schematic Design Drawings (which previous payments made by the City will be added to reach the required 30%), in cash equity or provide a letter of credit for that amount as security (the "Equity"), subject to an equity participation in the Office Project or other terms to be agreed upon by Developer and Buyer in the conditional PSA. The Equity may be used to pay hard construction costs as incurred during construction and the reimbursement of the predevelopment costs previously funded by Developer that are directly attributable to the Office Project, provided that the Equity contribution does not exceed 30% of any construction draw amount or any predevelopment reimbursement amount, as applicable. The City shall be part of the draw process and approve draw requests that include payments from the Equity. If the parties do not agree on the terms for this investment or equity participation despite good faith efforts before the PSA Endorsement Date, either party may terminate the ENA without cost or liability and Developer shall keep all City Non-Refundable Payments made before the date of termination and City shall be responsible for its share of the DD/CD Costs as set forth above. Following the Buyer's Equity investment, if the conditional PSA terminates for any reason before Buyer acquires the Office Project, then Developer shall return Buyer's Equity investment to Buyer, valued at the date of Developer's payment to Buyer, less any damages due and owing to Developer under the conditional PSA, if any, resulting from a Buyer breach of the conditional PSA. If the termination results from a Developer breach of the conditional PSA, such payment shall be made no later than thirty (30) days following termination of the conditional PSA. If the termination results from any other cause, such payment shall be made on the earlier of (i) twenty-four (24) months following the completion of the Office Project, or (ii) one hundred twenty (120) days following Developer successfully signing leases for 90% of the leasable

space at the Office Building, but in no event later than forty-eight (48) months following termination of the conditional PSA.

**Construction Contract
and Competitive Bidding:**

Buyer approves Swinerton Construction as Developer's general contractor and SOM as Developer's architect for the Office Project. Developer's contract with its general contractor and with its architect for the Office Project shall be subject to the review and prior approval of Buyer. Any material change to these contacts (or to the identity of the contractors) once approved are also subject to Buyer's prior review and approval. Developer's general construction contract shall include Buyer's standard General Conditions for the design/build/construction of public works projects in the City, and shall comply with the applicable provisions of City's Administrative Code Chapter 6 (not including competitive bidding for the general construction contractor or architect). Developer shall cause all significant elements of the construction project and certain trade packages for the Office Project to be competitively bid in accordance with a process included in the conditional PSA. The parties will work in close coordination and in good faith throughout the entire design and construction process.

CEQA:

Pursuant to CEQA Guidelines Section 15004(b)(2)(A), the City may "designate a preferred site for CEQA review and may enter into land acquisition agreements when the agency has conditioned the agency's future use of the site on CEQA compliance," but may not be bound to buy property under an agreement until any and all environmental review required by CEQA is completed and all required City approvals based on such environmental and public review have been obtained. Until the environmental review process has been completed, the City, including the Board, will retain the sole and absolute discretion to: (i) make such modifications to the proposed Office Project as are deemed necessary to mitigate significant environmental impacts; (ii) select other feasible alternatives to avoid such impacts; (iii) balance the benefits against unavoidable significant impacts prior to taking final action if such significant impacts cannot otherwise be avoided; or (iv) determine not to proceed with the proposed purchase based solely upon environmental impacts disclosed by the environmental review process.

Following negotiations and agreement (if any) on the form of conditional PSA and no later than the PSA Endorsement Date (defined below), the Director of Property shall seek Board endorsement, approval and execution of the conditional PSA, which will remain conditional on the completion of environmental review and an election to proceed with the proposed transaction following such review. The proposed economic terms as set forth in the LOI allow and account for potential changes in the permitted height or density of the Proposed Office Building, so any such change in the entitlement following environmental review will not require any change to the conditional PSA. While the Board shall retain full discretion to not proceed with the purchase transaction solely upon

environmental impact grounds following the completion of environmental review, the Board may not demand changes to the economic or other terms of the conditional PSA following Board endorsement and approval of the conditional PSA. If the entitled Office Project requires City occupancy based on the limitation of Section 249.33(b)(1) of City's Planning Code (such that Developer cannot proceed with the Proposed Office Building as entitled without the City's occupancy), and the Board elects not to ratify the conditional PSA following environmental review, then the City shall pay to Developer both the Developer's share and the City's share of the DD/CD Costs, i.e., up to Seven Million Seventy-Two Thousand Three Hundred Dollars, (\$7,072,300), within 90 days following the date the Board elects not to ratify the conditional PSA.

Legal Fees:

Developer shall pay any and all costs to defend Project entitlements, including fees of the City Attorneys' Office at the same rates charged to other third party developers (currently \$365/hour). Any costs so advanced would become Project costs and would be included in the total purchase price of the Office Parcel, provided that where costs are appropriately attributable to both the Office Project and the Residential Project, they will be divided on a percentage share basis as listed in the conditional PSA.

Form of Purchase and Sale Agreement:

The conditional PSA shall be based on the City's standard form of purchase and design-build agreement. The agreement is subject to negotiations with the City through its Director of Property and approval by the City's, Board of Supervisors and Mayor, in their respective sole and absolute discretion. The conditional PSA will include standard due diligence provisions for the benefit of the City.

Financing:

Buyer's obligation to purchase the Office Project is contingent upon, and subject to the Board of Supervisor's approval of the execution and delivery of certificates of participation or other forms of indebtedness and the successful issuance, sale and delivery thereof, the proceeds of which will be used to finance acquisition of the Office Project and other related costs. The parties will negotiate for inclusion in the conditional PSA a lease-to-purchase contingency, as required by Developer's construction lender, that would be triggered only upon a City failure to successfully issue the debt required to purchase the Office Project as set forth above. The lease-to-purchase shall maintain the financial benefit of the bargain as set forth in this LOI, with the City maintaining the option to acquire ownership of the Office Project during the lease term. The timing and terms of the option shall be established in the conditional PSA, and shall be designed to maintain the financial terms set forth in this LOI without additional payment or compensation to either party except as needed to make that party whole.

Representations and Warranties: Developer shall make commercially reasonable representations and warranties regarding both the purchase and sale transaction and the construction of the Office Project.

Assignment of Contracts and Warranties: Developer shall assign all design and construction contracts and warranties to Buyer at closing, and Developer's contracts shall permit such assignment to Buyer without consent or payment.

City's Development and Construction Requirements: Developer shall comply with the provisions (as applicable) specified in the San Francisco municipal codes including but not limited to: Resource Efficient City Building (Admin. Code Sections 82.1-82.8), the MacBride Principals (Admin. Code Section 12F.1 et seq.), Local Hire and Prevailing Wages for Construction (Admin. Code Section 6.22 through 6.45), the Controller's Certification of Funds (SF City Charter Section 3.105), the Tropical Hardwood and Virgin Redwood Ban (Envir. Code Sections 802(b) and 803(b)), Bicycle Storage (Planning Code Article 1.5), the Non Discrimination in City Contracts and Benefits Ordinance (Admin. Code Sections 12B, and 12C), Local Business Enterprise Program (Admin. Code Chapter 14), Campaign Contribution Limitations (Section 1.126 of City's Campaign and Governmental Conduct Code), and First Source Hiring (Admin. Code Chapter 83).

Availability Payment: One Million Dollars (\$1,000,000) payable by Buyer into the escrow for Developer's purchase of the Goodwill Property on the Effective Date (defined below). Developer shall notify City in writing of the Closing Date no later than fourteen days before the actual Closing Date.

Effective Date: This LOI shall become effective (the "Effective Date") only after (a) the City's Board of Supervisors duly adopts a resolution endorsing this LOI, and the resolution is signed by Mayor, each in their sole discretion (the "City Resolution") and (b) the parties execute and deliver this LOI, and (c) Developer acquires fee title ownership of the Goodwill Property. The Effective Date of this LOI shall be the date on which the last of the above items (a) through (c) occurs. The parties anticipate that the Effective Date shall be on or before September 4, 2014.

Expiration Date: Unless otherwise extended by the Developer in writing, this LOI shall expire without cost or penalty to either party on July 31, 2014 if City does not adopt the City Resolution by that date. Unless otherwise extended by the City in writing, this LOI shall expire without cost or penalty to either party on September 4, 2014 if Developer does not acquire fee title to the Goodwill Property by that date.

PSA Endorsement Date: The date by which the Board of Supervisors must endorse and approve the conditional PSA and authorize the Design Development Work, which shall occur by October 31, 2014 (unless extended by mutual agreement of the parties).

CEQA Date:

The effective date by which City completes required environmental review for the Project and the City's Planning Department, Commission and Board (i) adopt or certify the adequacy of the environmental review document, and (ii) grant Project entitlements. If there is an administrative appeal of the adoption or certification of the environmental review document or of the entitlements, the CEQA Date shall be the effective date when the adoption, certification and/or entitlements have been finally determined or granted following the exhaustion of any administrative appeals, subject to any injunction that prevents the City from taking the actions that are required on the CEQA Date (in which case the CEQA Date will be extended to the date the injunction is lifted).

PSA Ratification Date:

On the date the Board considers and grants any Office Project entitlements, the Board shall take an action to ratify the conditional PSA and remove the CEQA contingency and proceed with the acquisition of the Office Project, subject only to the City's ability to Finance the acquisition of the Office Project, or to reject the conditional PSA solely on the basis of the environmental impacts of the Office Project disclosed in the environmental review document that have not been adequately mitigated or overridden under CEQA. If the Office Project obtains entitlements but Developer cannot proceed without City occupancy, and the City does not ratify the conditional PSA or elect to remove the CEQA contingency and proceed with the proposed acquisition, then (1) City must pay the DD/CD Costs incurred by Developer up to \$7,072,300, and (2) Developer shall have the right to keep the Availability Payment and the Schematic Design costs previously paid by the City. Upon such action, the conditional PSA shall terminate without additional cost or liability to either party.

Construction Loan Date:

The date that Developer closes on the construction loan for the Office Project, and the date on which City shall contribute the Equity. The Construction Loan Date shall occur after the PSA Ratification Date, but in no event later than xx days after the PSA Ratification Date (unless extended by the mutual agreement of the parties). Developer shall give the City not less than 90 days advance notice of the Construction Loan Date so that the City can prepare the Equity contribution.

Construction Period:

Construction to begin shortly following the Construction Loan Date, and will continue for approximately twenty-four (24) months, subject to force majeure delays.

Anticipated Closing Date for City's Purchase:

Within 90 days following Developer's completion of the Office Project in accordance with the plans and specifications approved by Buyer. Developer's completion shall be evidenced by the issuance of a final certificate of occupancy for the entirety of the Office Project. If, despite City's good faith efforts, the City is unable to close on a specified

outside date due to the financing contingency, then the City shall have the right to exercise a 120 day extension of the outside date so long as the City pays, at closing, any and all costs incurred by Developer due to the extension.

Cooperation and Good

Faith; Limited Remedies: Following the Availability Payment, Developer and Buyer (acting through the Director of Property) agree to work together in good faith to complete environmental review and seek Office Project entitlements consistent with this LOI for so long as the ENA, and thereafter for so long as the conditional PSA, remain in effect. Developer agrees to use the funds advanced by the City for planning purposes as set forth in this LOI. If at any point the City elects not to proceed with the Office Project, Developer shall have no remedies other than the retention or payment of funds as set forth in this LOI.

Real Estate

Commissions:

Buyer was introduced to Developer by Tom Christian of the brokerage firm of Cassidy Turley ("CT") and neither buyer nor developer has engaged any other broker in connection with this proposed transaction. CT shall have earned a fee equal to 1.0% of the final purchase price paid by Buyer to acquire the Office Project which fee shall be included in the total development costs for the Project and shall be paid to CT from Developer's proceeds at the closing for Buyer's acquisition of the Office Project. Developer shall be responsible for payment of any fee to CT in connection with this transaction, and in no event shall City be responsible for payment to CT if the Buyer fails to acquire the Office Project for any reason. Developer shall hold Buyer harmless from any claims by CT against Buyer related to the Office Project.

Assignment by Developer: The parties acknowledge that City has agreed in the ENA that Related will have the right to assign its rights and obligations under the ENA and this LOI to an affiliated single purpose entity ("Related Affiliate") that Related intends to form to acquire and develop the Goodwill Property, provided that (i) the Related Affiliate assumes the obligations of Related under the ENA and this LOI, and (ii) if the Related Affiliate breaches the ENA or this LOI and does not reimburse the City funds as required, then the City shall have the right to seek reimbursement of such funds from Related.

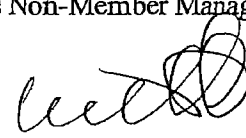
This LOI (together with the ENA) is a preliminary statement of parties' general intentions with regard to the proposed purchase transaction. The City and Related mutually intend that neither party shall have any liability to the other except as expressly set forth in the ENA following Related's receipt of the first payment of the City's Non-Refundable Payments. The City has no obligation to enter into the conditional PSA, and the failure of negotiations by itself, despite the parties' good faith efforts, shall not be deemed a breach of the ENA or this LOI.

The parties have duly executed this LOI as of the respective dates written below.

DEVELOPER:

RELATED CALIFORNIA URBAN
HOUSING, LLC, a California limited liability
company

By: The Nicholas Company, Inc., a Delaware
corporation, Its Non-Member Manager

By: 
WILLIAM A. WITTE, President

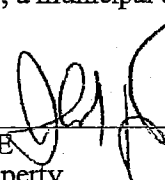
Date: 4th June 2014

By: 
MATTHEW L. WITTE
Principal

Date: 4th June 2014

CITY:

CITY AND COUNTY OF
SAN FRANCISCO, a municipal corporation

By: 
JOHN UPDIKE
Director of Property

Date: June 4, 2014

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: 
CHARLES SULLIVAN
Deputy City Attorney

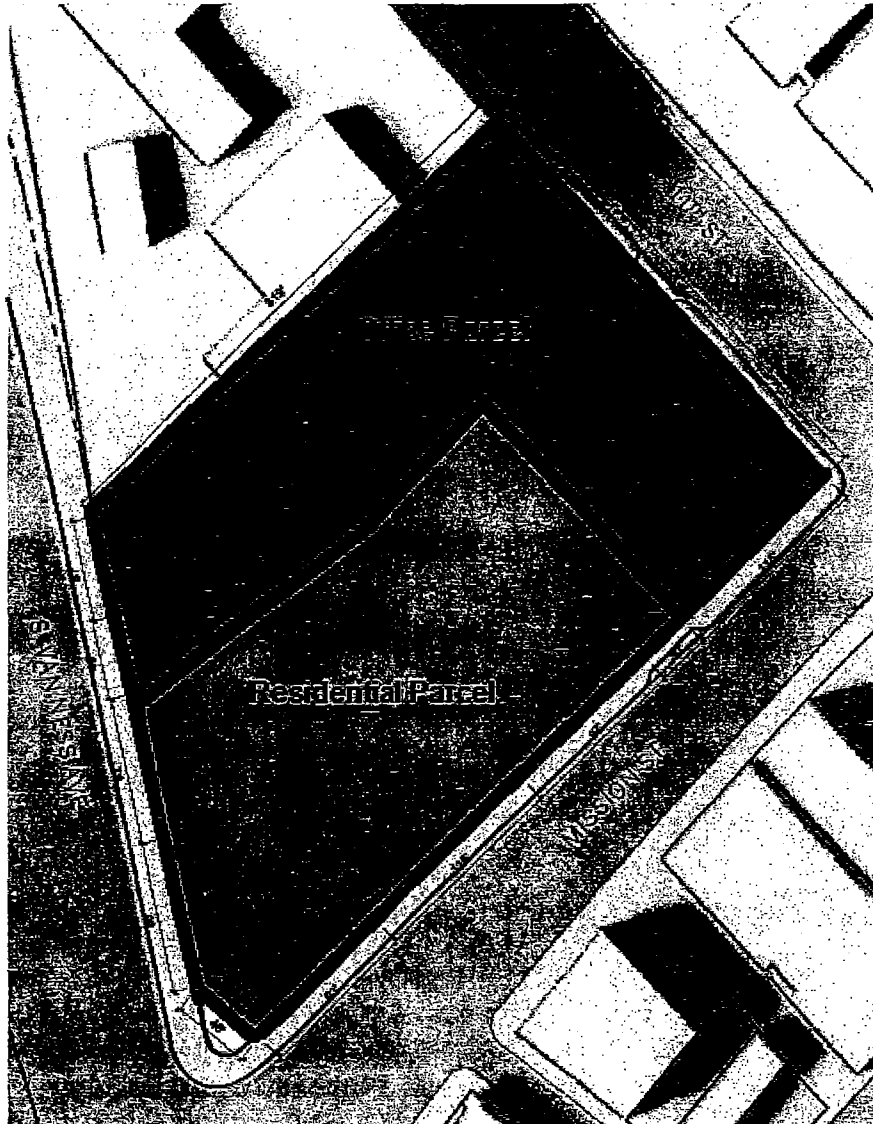
ATTACHMENT A

OFFICE PARCEL

ATTACHMENT A

OFFICE PARCEL

1500-1580 Mission Street, San Francisco, CA 94103.

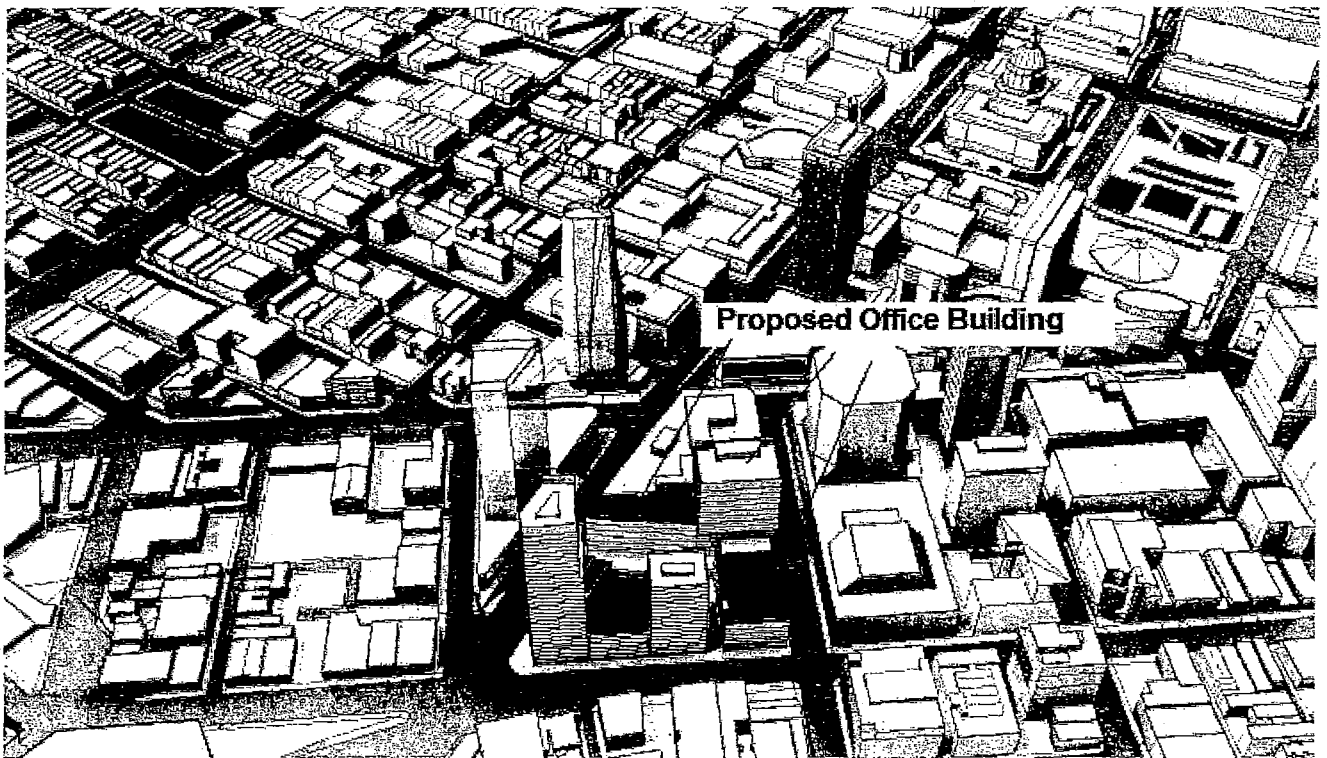
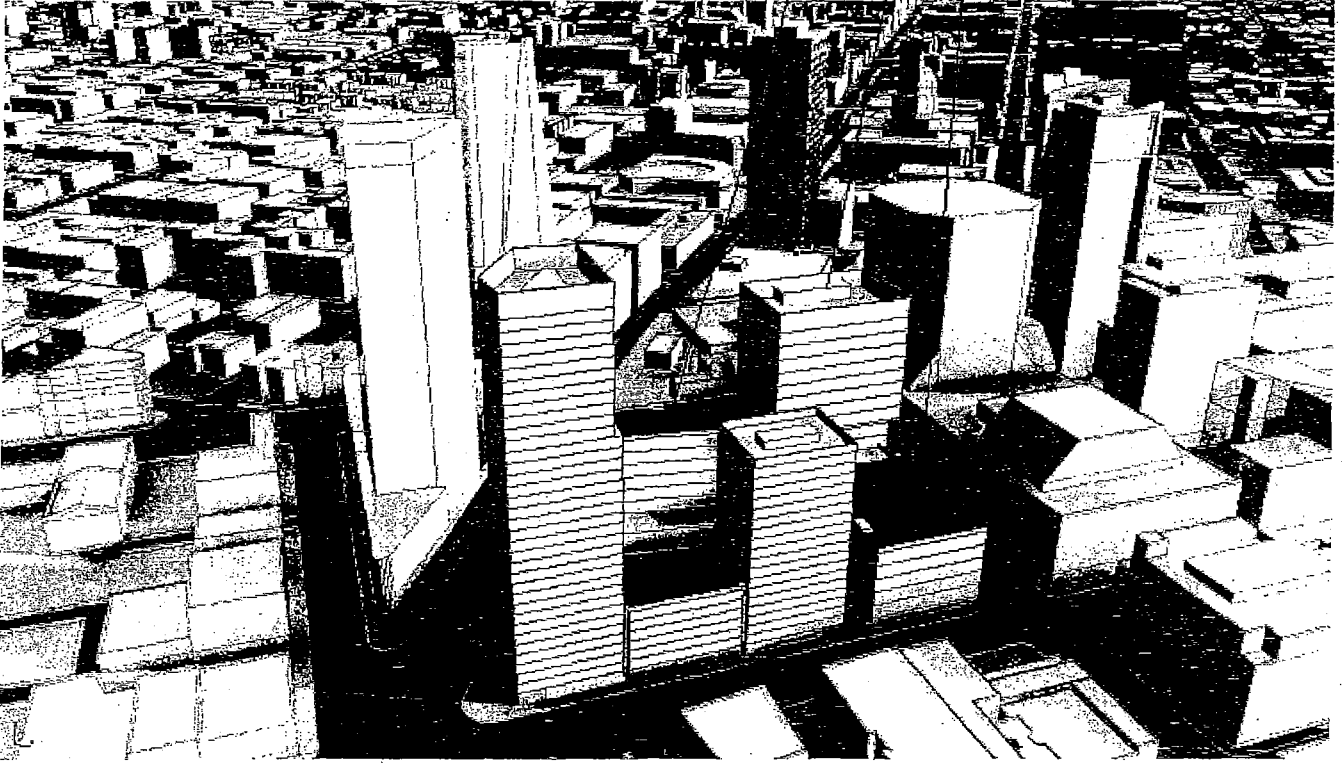


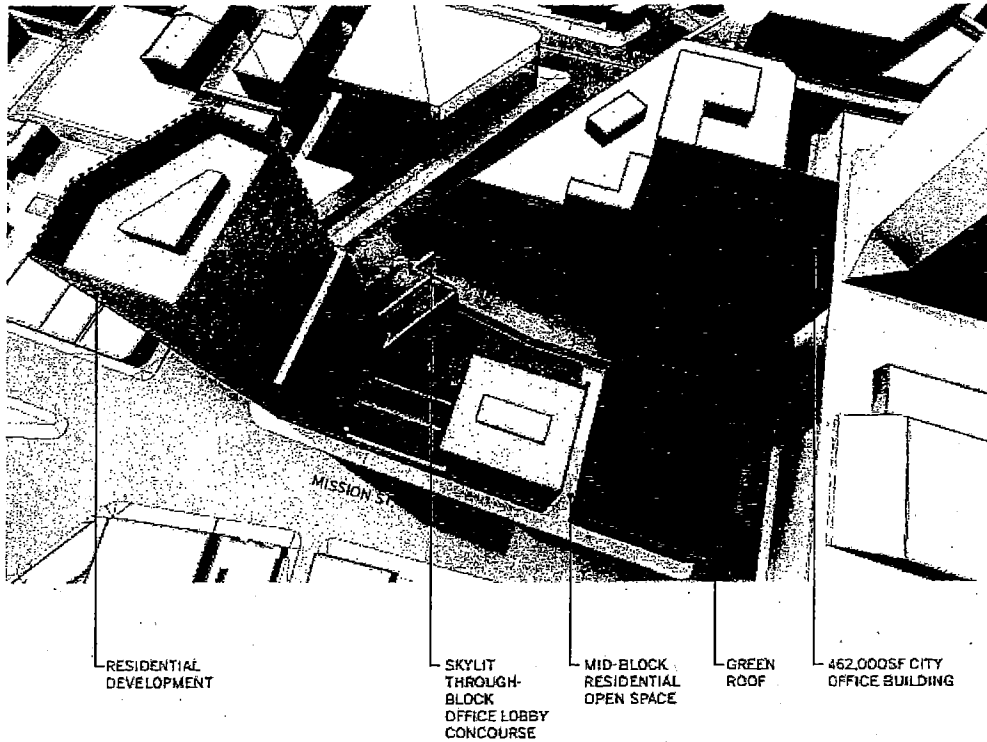
Block 3506, Lots 02 and 03

ATTACHMENT B

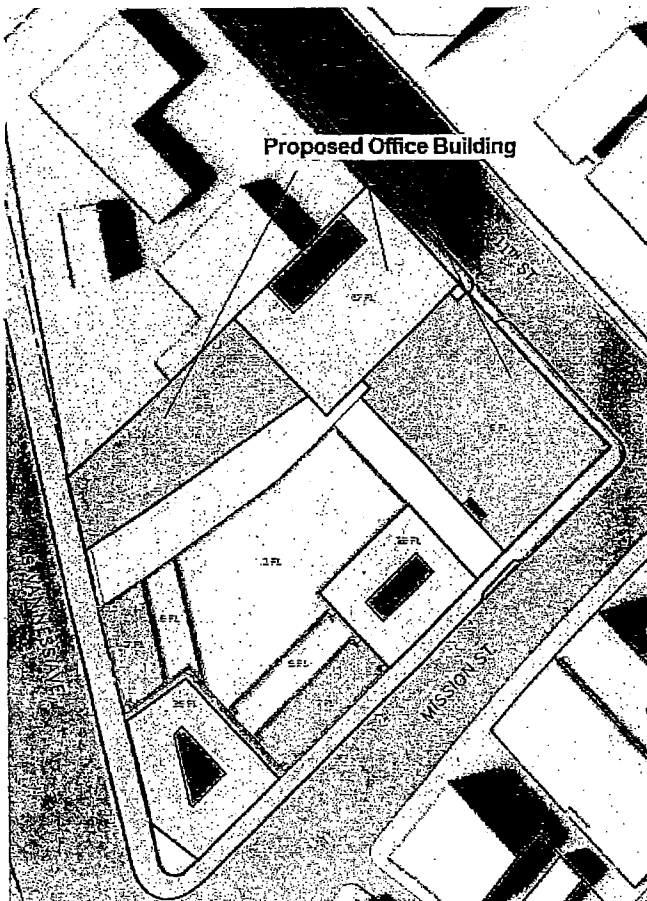
PROPOSED OFFICE BUILDING

Proposed Office Building

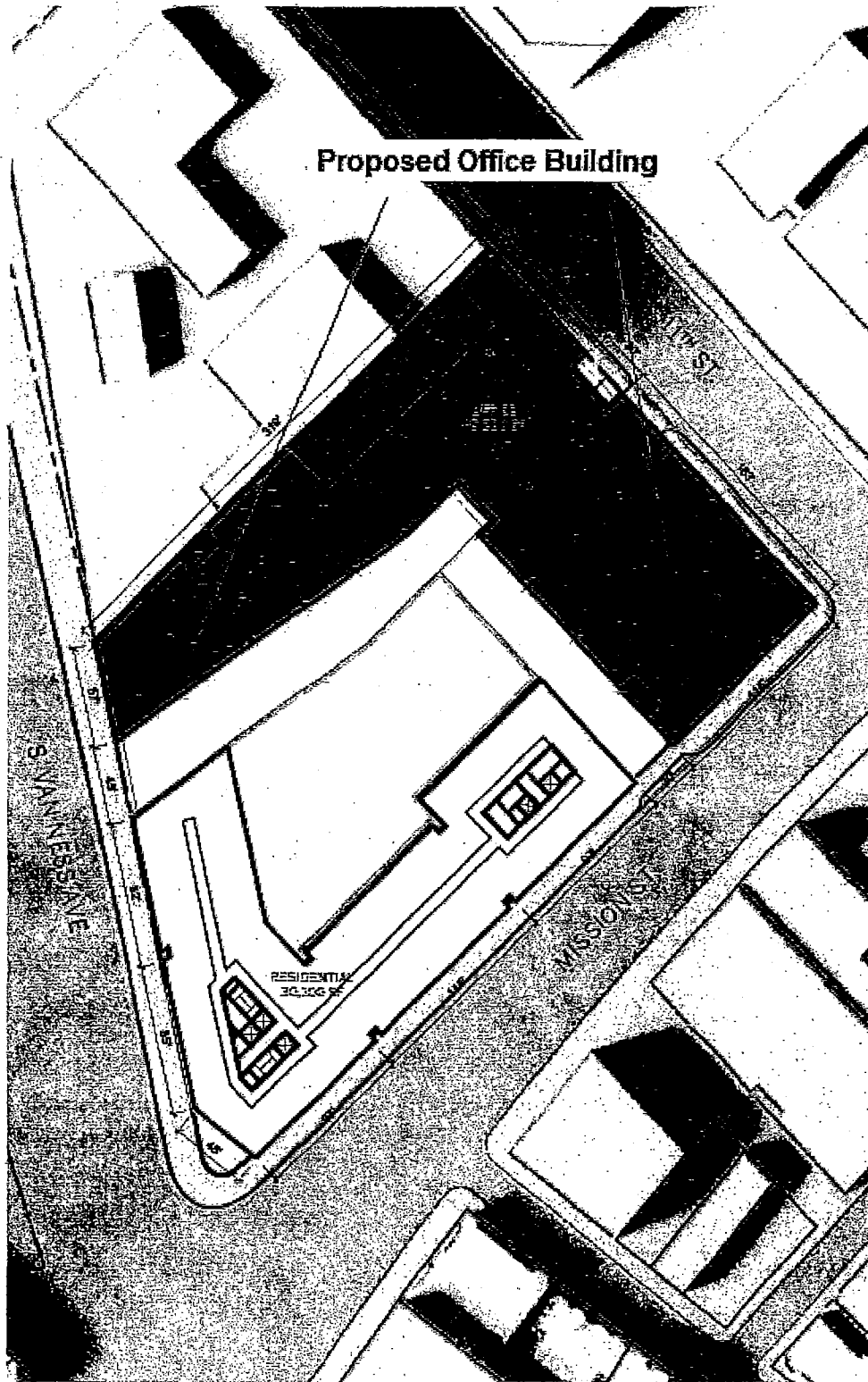




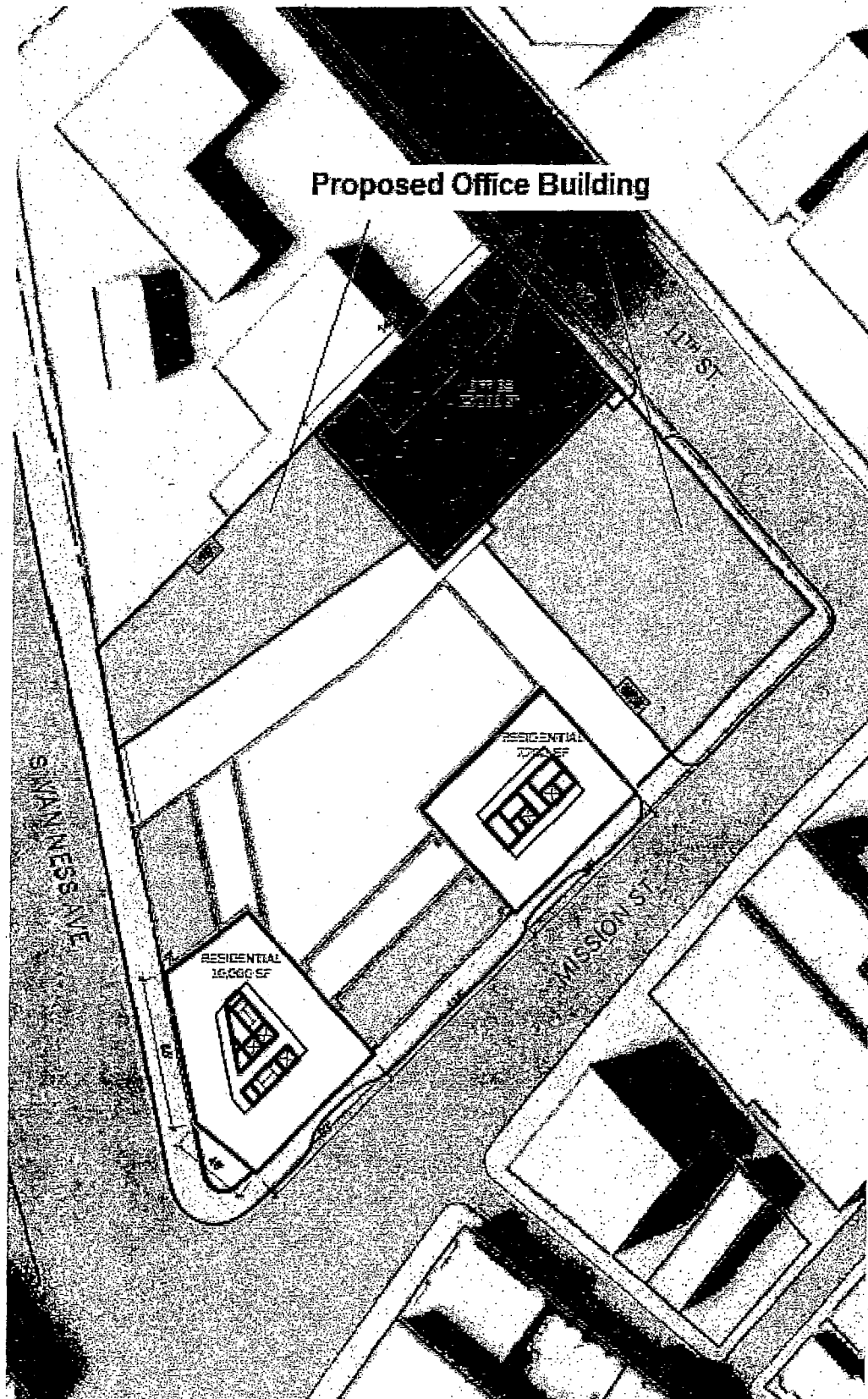
**Proposed Office Building
Floor Summary**



t.p.	263'-0"			
r	243'-0"			
17	228'-0"	15,000sf		
16	214'-0"	15,000sf		
15	200'-0"	15,000sf		
14	186'-0"	15,000sf		
13	172'-0"	15,000sf		
12	158'-0"	15,000sf		
11	144'-0"	15,000sf		
10	130'-0"	15,000sf		
9	116'-0"	24,600sf		
8	102'-0"	24,600sf		
7	88'-0"	24,600sf		
6	74'-0"	46,200sf		
5	60'-0"	46,200sf		
4	46'-0"	46,200sf		
3	32'-0"	40,900sf		
2	18'-0"	40,900sf		
1	0'-0"	50,600sf	1,600sf*	sf
		464,800sf	1,600sf	sf
		466,400sf		
	above grade total	1,049,600sf		
b1	-12'-0"			37,400sf
b2	-22'-0"			37,400sf



Level 2-6 Plan



Proposed Office Building

Tower Plan

Item 26
File 14-0838

Department:
Administrative Services

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve an exclusive negotiation agreement and letter of intent between the City (through the Department of Administrative Services' Real Estate Division) and Related California Urban Housing, LLC (Related) for the purchase by the City of the property located at 1500-1580 Mission Street for the potential development of a City-owned office building at 1500-1580 Mission Street (Lot 2 and Lot 3, Block 3506) at an estimated purchase price of \$253,000,000, and (2) authorize non-refundable payments of \$1,000,000 by the City to Related toward land acquisition costs and up to \$250,000 toward schematic design costs.

Key Points

- On June 5, 2014, the City, through the Real Estate Division and Related signed an exclusive negotiating agreement (ENA) and letter of intent (LOI) for the development and subsequent purchase by the City of a portion of a 2.5 acre site located at 1500-1580 Mission Street. The site, currently a Goodwill Industries operations center, is located at Van Ness Avenue and Mission Streets and is proposed to be developed as a new City office building.
- Under the proposed ENA and LOI, Related will develop the Goodwill Site with an approximate 462,354 gross square foot City office building on the eastern portion (along 11th street), and approximately 550 multifamily residential units on the western portion (along Van Ness Avenue). The City will acquire fee title to the office parcel and building from Related upon project completion in late 2018.
- The City anticipates consolidating office space for the Departments of Public Works, Building Inspection and Planning, and the Retirement and Health Services System, among others into the new office building. The building will include a one-stop permit center on the ground floor.

Fiscal Impact

- The City's total estimated cost to purchase the office parcel and building, including 5% profit to Related, is \$253,285,080. The proposed resolution would also authorize non-refundable payments of \$1,000,000 toward land acquisition costs and up to \$250,000 for initial schematic design costs. This \$1,250,000 in up-front costs would be paid out of the Department of Building Inspection's capital budget for continuing projects.
- The Board of Supervisors must endorse the Purchase and Sale Agreement no later than October 31, 2014, subject to approval under the California Environmental Quality Act (CEQA). Endorsement would commit the City to incur approximately \$2,911,150 in costs for the design development and construction documents needed for the 12 to 18 month CEQA and environmental review process.
- To help finance the purchase of the new building, the City will offer an existing City-owned office building located at 30 Van Ness for sale this summer, with a leaseback to the City until late 2018. Sale of 30 Van Ness is subject to Board of Supervisors approval. Depending on market conditions in 2017-2018, the City will also offer for sale the City-owned 1660 Mission Street and the City-owned 1680 Mission Street. These three buildings have a net rentable square footage of 290,301 square foot and an aggregate potential sales value of approximately \$102,000,000. In addition to the building sales proceeds, the City is assuming contributions from the DBI fund balance, the Retirement Trust Fund, and the General Fund.

Policy Considerations

- The proposed transaction is complex and will be executed over several years, with multiple points of approval required by the Board of Supervisors. At this time, there are several significant unknowns the City must contend with, including: (1) total potential equity contributions, including the final sales prices of the three existing City office buildings which would be sold in order to purchase 1500-1580 Mission Street, as well the Building Inspection Fund contribution; (2) the proceeds from COPs and additional debt service required by the City; (3) total General Fund impacts; and (4) finalized design, occupancy mix, developer pricing, and negotiated office lease.
- Because of the future commitment of significant City funds, the Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors. If the Board of Supervisors approves the ENA and LOI, then the City would move forward with the next steps in planning for the final purchase of 1500-1580 Mission Street, including committing up to \$1,250,000 in non-refundable funds, which were previously appropriated by the Board of Supervisors in the Department of Building Inspection's budget. If the Board of Supervisors does not approve the proposed resolution, the City will likely lose the opportunity to purchase 1500-1580 Mission Street.

Recommendations

1. Amend the proposed resolution to require a report from the Director of Real Estate prior to the date by which the Board of Supervisors must endorse the Purchase and Sale Agreement on October 31, 2014 that:
 - Provides details on the space requirements of the City departments and the proposed uses (such as training, board room and conference space) for occupying the new office building, including long-term staffing projections and the reasons for increases in staffing and/or office space, if applicable;
 - Explains the options for backfilling the Health Service System's leased space at 1145 Market Street or other options under the existing lease, allowing the Health Service System to relocate to the new office building; and provide details on Health Service System's space requirements;
 - Recommends potential project alternatives if the increase in space is not required by DPW, DBI, City Planning or other City departments slated to occupy the new office building; and
 - Describes the Real Estate Division's overall space plan for Civic Center office space.
2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

MANDATE STATEMENT**Mandate Statement**

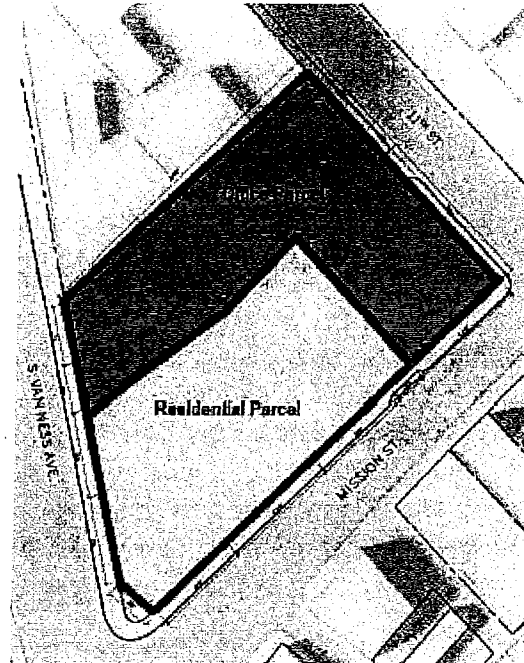
City Charter Section 9.118(b) states that contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures by the City and County of ten million dollars, or the modification or amendments to such contract or agreement having an impact of more than \$500,000 shall be subject to approval of the Board of Supervisors by resolution.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve an exclusive negotiation agreement and letter of intent between the City (through the Department of Administrative Services' Real Estate Division) and Related California Urban Housing, LLC (Related) for the purchase by the City of the property located at 1500-1580 Mission Street for the potential development of a City-owned office building at 1500-1580 Mission Street (Lot 2 and Lot 3, Block 3506) at an estimated purchase price of \$253,000,000, and (2) authorize non-refundable payments of \$1,000,000 by the City to Related toward land acquisition costs and up to \$250,000 toward schematic design costs.

Project Description

On June 5, 2014, the City, through the Real Estate Division and Related signed an exclusive negotiating agreement (ENA) and letter of intent (LOI) for the development and subsequent purchase by the City of a portion of a 2.5 acre site located at 1500-1580 Mission Street. The site, currently a Goodwill Industries operations center, is located at Van Ness Avenue and Mission Streets and is proposed to be developed as a new City office building. See Figure 1 below for a map of the proposed site.

Figure 1: Map of 1500-1580 Mission Street

Block 3508, Lots 02 and 03

Source: Real Estate Division

Related is under contract to purchase the Goodwill site from Goodwill Industries and anticipates closing the transaction in early September. Under the proposed ENA and LOI, Related will develop the Goodwill Site with an approximate 462,354 gross square foot City office building on the eastern portion (along 11th street), and approximately 550 multifamily residential units¹ on the western portion (along Van Ness Avenue). The City will acquire fee title to the office parcel and building from Related upon project completion in late 2018.

The City anticipates consolidating office space for the Departments of Public Works, Building Inspection and Planning (currently housed in various City-owned and leased buildings), as well as the Retirement and Health Services Systems (currently leasing office space at 1145 Market Street), among others into the new office building. The building will include a one-stop permit center on the ground floor. Table 1 below details the proposed square footage of the proposed new City office building².

¹ According to Mr. John Updike, Director of Real Estate, approximately 110 out of the total proposed 550 units, or 20%, will be classified as affordable. The City is also working with the developer to potentially target middle-income residents, or those classified as earning between 80-120% of Area Median Income, for the remainder of the units.

² According to Mr. Updike, these estimates of square footage are preliminary and do not do not reflect actual anticipated square feet, which will be determined through a planning process.

Table 1: Proposed Usage of New City Office Building

Department / Usage	Current Square Feet	Proposed Gross Square Feet	Increase / (Decrease)	Percent
Public Works*	178,000 ³	180,000	2,000	1.1%
Building Inspection	73,000	100,000	27,000	37.0%
Planning	52,000	60,000	8,000	15.4%
Retirement	35,579	35,000	(579)	(1.6%)
Health Service System	19,560	27,000	7,400	37.8%
One stop permit center		32,000		
Training/Conference/Board – Commission Rooms		20,000		
Misc./undetermined		8,354		
Total		462,354		

* includes Administrative Services Capital Planning and Recreation and Parks Capital Planning

The Department of Public Works (DPW), Department of Building Inspection (DBI) and Planning Department currently occupy office space in City-owned and leased buildings. According to Mr. John Updike, Director of Real Estate, these three departments will relocate from their existing office spaces to the new City office building, which will each increase the number of square feet of office space for these three departments compared to their existing office space, as shown in Table 1 above. With respect to the existing City-owned buildings, please see “Proposed Sale of Existing City Office Buildings” under “Fiscal Impact” below.

According to Mr. Updike, the potential increase in office space for:

- DBI results from a space study performed jointly by the Controller’s Office and DPW;
- Planning results from the increase in staffing already experienced by Planning over the past year; and
- DPW is due to the expected economies of co-location.

In addition, the proposed City office building includes 20,000 square feet of space for training facilities, conference rooms and board rooms. According to Mr. Updike, such space will provide the City the opportunity to allow a current lease of training space at 1740 Cesar Chavez to expire in early 2019, saving approximately \$290,000/year in rent. Meeting space for boards or commissions include the Health Service System, the Retirement System, and DBI.

The Retirement System and the Health Service System currently occupy leased space. The Retirement System currently has a ten-year lease at 1145 Market Street with an expected term until 2024 (File 13-1218). The City has an early termination right as of late 2017, or prior to the proposed move to the new City office building in 2018.

The Health Service System currently party has a ten-year lease at 1145 Market Street with an expected term until 2023 (File 13-0466). The City does not have an early termination right until early 2021, or several years after the proposed move to the new City office building in 2018.

³ DPW currently occupies 155,000 square feet of space but will backfill the 30 Van Ness Avenue space vacated by the Retirement System, bringing the total to 178,000 square feet.

According to Mr. Urdike, options to permit a 2018 relocation of the Health Service System include backfilling the space at 1145 Market Street with other City uses until either the early termination date in 2021, or until the natural termination of the lease in 2023. As shown in Table 1 above, the Health Service System's office space will increase by 7,400 or 37.8% in the new City office building compared to their current leased space. In addition, the Health Service System will have access to the training/conference/board rooms for activities currently conducted in their leased space.

Project Timeline

According to the negotiated ENA and LOI, the Mayor and the Board of Supervisors must endorse the ENA and LOI no later than July 31, 2014. Doing so would require the City to deposit a \$1,000,000 availability payment into escrow for land acquisition and require the City to spend up to an additional \$250,000 toward the cost of initial schematic designs. The total of up to \$1,250,000 of such payments cannot be returned to the City if the City ultimately decides not to approve the Purchase and Sale Agreement or if the City defaults on or after the Closing Date, as specified in Table 2 below.

Table 2 below details the proposed project timeline with key payments to be made by the City.

Table 2: Proposed Project Timeline and City Costs

Project Milestone	Date	Financial Action	City Cash Outflow	Cumulative City Obligation
LOI Signature*	6/4/14	Related pays schematic design costs	\$0	N/a
Closing Date	9/4/14	\$1m Availability Payment City reimburses \$250k in schematic design costs (if/as incurred)	\$1,250,000	\$1,250,000
Endorsement of the Purchase and Sale Agreement*	10/31/14	City incurs design development and construction document costs Related pays design development/construction document costs	\$2,911,150	\$4,161,150
CEQA*	11/1/15	N/A	0	\$4,161,150
Final Purchase and Sale Agreement*	11/1/15	N/A	0	\$4,161,150
Construction Loan	12/1/15	City deposits 30% equity on project costs	\$65,095,925 (est.)	\$69,257,075 (est.)
Project Completion	12/1/17	City commits to purchase or lease	0	\$69,257,075 (est.)
Office Parcel and Building Acquired	2/1/18	City completes purchase	\$184,028,005 (est.)	\$253,285,080 (est.)

*Will require Board of Supervisors approval
Source: Real Estate Division

The proposed project includes the following steps, as shown in Table 2 above:

1. Approval of the ENA and LOI by the Board of Supervisors and Mayor no later than July 31, 2014. The City would commit to \$1,250,000 in non-refundable payments, as noted above.
2. Endorsement of the Purchase and Sale Agreement by the Board of Supervisors no later than October 31, 2014, subject to approval under the California Environmental Quality Act (CEQA). Endorsement of the Purchase and Sale Agreement would commit the City to incur approximately \$2,911,150 in costs for the design development and construction documents needed for the 12 to 18 month CEQA and environmental review process.
3. If the Board adopts or certifies the adequacy of the environmental review document and grants project entitlements, then the Director of Real Estate would seek approval by the Board of Supervisors and Mayor of the final Purchase and Sale Agreement. Once approved, the City would pledge cash equity equal to 30% of the project development costs (an estimated payment of \$65.1 million), shown in Table 2 above; and the approximately 24-month construction of the City office building would begin.
4. If the City does not enter into the final Purchase and Sale Agreement after the endorsement and CEQA approval, the City would be required to reimburse the Developer for the Developer's development and construction document costs of up to \$7,072,300.

Upon completion of the City office building, the City will issue Certificates of Participation combined with other equity sources to cover the final estimated purchase price of \$253,285,080 for the completed facility.

FISCAL IMPACT

Project Budget

As stated in the proposed resolution, the estimated purchase price of the buildings at 1500-1580 Mission Street is \$253,000,000. Related estimated development cost is \$241,223,886, or \$521.73 per square foot, as shown in Table 3 below, for approximately 462,354 square feet. The City's total estimated cost to purchase the office parcel and building, including 5% profit to Related, is \$253,285,080.

Table 3: Project Budget

Development Costs to Related	Factor	Value	S/GSF
Land Price	\$65/GSF	\$30,000,000	64.89
Real Estate Commissions	1.00%	2,412,239	5.22
Related Development Fee (Management)	4.00%	7,954,729	17.2
Related Development Fee (Financing) ⁽¹⁾	1.00%	1,988,682	4.3
Soft Costs	\$18/GSF	8,322,300	18
Fees and Permits	Calculated	13,167,471	28.48
Core and Shell ⁽²⁾	\$301/GSF	139,263,450	301.21
Tenant Improvements ⁽³⁾	\$50/GSF	23,117,500	50
Finance Costs	Calculated	14,352,821	31.04
Soft Costs Cont.	3.00%	644,693	1.39
Subtotal, Development Costs		\$241,223,886	\$521.73
5% Profit		12,061,194	
Total		\$253,285,080	

Source: Real Estate Division

⁽¹⁾ Charged on estimated \$198.8 million in debt

⁽²⁾ Estimated by construction contractor, Swinerton Builders; assumes restoration of historic clock tower and historic clock façade of southeasterly wall (still under consideration by development team)

⁽³⁾ Assumes \$50 per square foot

Proposed Source of Up-Front Project Costs

The proposed legislation would authorize (1) non-refundable payments of \$1,000,000 toward land acquisition costs and (2) up to \$250,000 for initial schematic design costs. This \$1,250,000 in up-front costs would be paid out of the Department of Building Inspection’s capital budget for continuing projects. These non-General Fund monies were allocated for DBI’s building expansion project in the FY 2014-15 budget. Table 4 below shows the source of the proposed \$1,250,000 in up-front costs.

Table 4: Proposed Source of Up-Front Project Costs

Index Code Title	Project Code	Project Title	FY 2014-15 Budgeted Amount	Proposed Use of Funds
DBI Projects Continuing	CBIBEP01	Building Expansion	\$1,500,000	\$1,250,000

Proposed Sale of Existing City Office Buildings

To help finance the purchase of the new building, the City will be offering an existing City-owned office building located at 30 Van Ness for sale this summer, with a leaseback to the City until late 2018. Sale of 30 Van Ness is subject to Board of Supervisors approval.

Depending on market conditions in 2017-2018, the City will also offer for sale the City-owned 1660 Mission Street, the current location of the Department of Building Inspection, and the City-owned 1680 Mission Street, the current location of some staff in the Department of Public Works.

These three buildings have a net rentable square footage of 290,301 square foot, as specified below in Table 5.

Table 5: Square Footage of Existing Office Buildings

Building	Net Rentable Square Feet
30 Van Ness	182,836
1660 Mission	71,585
1680 Mission	35,880
Total	290,301

These properties have an aggregate potential sales value of approximately \$102,000,000 depending on market conditions and future negotiations with potential buyers, according to Mr. Updike. Proceeds from all three potential sales will be one of several proposed sources of funds to purchase the new office development (See Table 6 below for additional details).

The Real Estate Division considers 30 Van Ness to be suitable for a transit-oriented-development, and believes current market conditions are favorable to a building sale. Mr. Updike states the Real Estate Division will take additional time to potentially sell the Mission Street properties, in order to mitigate the risks of prematurely disposing of City assets before the new project is fully approved or near completion.

Estimated Sources of Project Funds

The estimated sources of funds for the project are listed in Table 6 below. Based on preliminary estimates, the project will be financed by approximately 54.3 percent equity, and 45.7 percent debt. In addition to the building sales proceeds, the City is assuming a significant contribution from the DBI fund balance as well as equity from the Retirement Trust Fund. However, there is no guarantee these contributions will materialize in the amounts specified below in Table 6.

Table 6: Total Estimated Sources of Project Funds

Sources	Amount
Sales Proceeds of City-owned Buildings	\$102,000,000
Less debt payoff	(29,250,000)
Less sales costs	<u>(2,800,000)</u>
Subtotal (net yield from sales)	\$69,950,000
DBI Fund Balance	50,000,000
Retirement Trust Fund	<u>17,500,000</u>
Total Equity (54.3%)	\$137,450,000
Certificates of Participation (COPs) (45.7%)	115,550,000
Total	\$253,000,000

Source: Real Estate Division

According to Ms. Nadia Sesay, Director of Public Finance, as of the writing of this report the Office of Public Finance is not accounting for potential DBI Fund Balance or Retirement Trust Fund contributions. As such, under current Office of Public Finance assumptions, the COPs will generate proceeds of approximately \$187.1 million to acquire the site, or \$71,550,000 more

than the estimated \$115,550,000 listed above in Table 6. In this scenario, debt would account for approximately 74% of total project funds and debt service would be projected at roughly \$15 million over 30 years. Ms. Sesay notes that General Fund impact to repay the COPS will depend on the precise mix of tenants in the new building.

POLICY CONSIDERATIONS

According to Mr. Updike, the Real Estate Division is proposing the purchase the property located at 1500-1580 Mission Street in order to address several long-term City priorities, particularly in the Civic Center area. These priorities include:

- 1) Developing more consolidated space for departments currently housed in multiple locations;
- 2) Making available underutilized City sites for more intense mixed-use developments where possible; and
- 3) Addressing the lack of space for growth, as the city-owned buildings in Civic Center are currently over 99 percent occupied.

Additionally, according to Mr. Updike, the new building will allow core City functions to be centralized in a facility specifically built to meet City needs; and the proposed ENA and LOI allow the City to purchase new Class A office building at a favorable price to comparable real estate in the City⁴.

As noted above, the proposed transaction is complex and will be executed over several years, with multiple points of approval required by the Board of Supervisors. At this time, there are several significant unknowns the City must contend with, including:

- Total potential equity contributions, including the final sales prices of the three existing City office buildings, as well DBI fund balance contributions;
- The proceeds from COPS and additional debt service required by the City;
- Total General Fund impacts; and
- Finalized design, occupancy mix, developer pricing, and negotiated office lease.

If the Board of Supervisors and Mayor do not approve the ENA and LOI by July 31, 2014, then either the City or the Developer may terminate negotiations. Because of the future commitment of significant City funds, the Budget and Legislative Analyst considers approval of the proposed resolution authorizing the ENA and LOI to be a policy matter for the Board of Supervisors. If the Board of Supervisors approves the ENA and LOI, then the City would move forward with the next steps in planning for the final purchase of 1500-1580 Mission Street, including committing up to \$1,250,000 in non-refundable funds, which were previously appropriated by the Board of Supervisors in the FY 2014-15 DBI budget. According to Mr.

⁴ According to the Q1 and Q2 2014 office market reports from real estate services firm Avison Young, the top sales of Class A office space in San Francisco have seen prices ranging from \$447 to \$765 per square foot. As noted above, the proposed purchase price of 1500-1580 Mission Street by the City is approximately \$521.73 per square foot.

Uptake, if the Board of Supervisors does not approve the proposed resolution, the City will likely lose the opportunity to purchase 1500-1580 Mission Street.

If the Board of Supervisors approves the proposed resolution, the resolution should be amended to require a report from the Director of Real Estate prior to the date by which the Board of Supervisors must endorse the Purchase and Sale Agreement on October 31, 2014 that:

- (1) Provides details on the space requirements of the City departments and the proposed uses for occupying (such as training, board room and conference space) the new office building, including long-term staffing projections and the reasons for increases in staffing and/or office space, if applicable;
- (2) Explains the options for backfilling the Health Service System's leased space at 1145 Market Street or other options under the existing lease, allowing the Health Service System to relocate to the new office building; and provide details on Health Service System's space requirements;
- (3) Recommends potential project alternatives if the increase in space is not required by DPW, DBI, City Planning or other City departments anticipated to occupy the new office building; and
- (4) Describes the Real Estate Division's overall space plan for Civic Center office space.

RECOMMENDATIONS

1. Amend the proposed resolution to require a report from the Director of Real Estate prior to the date by which the Board of Supervisors must endorse the Purchase and Sale Agreement on October 31, 2014 that:
 - Provides details on the space requirements of the City departments and the proposed uses (such as training, board room and conference space) for occupying the new office building, including long-term staffing projections and the reasons for increases in staffing and/or office space, if applicable;
 - Explains the options for backfilling the Health Service System's leased space at 1145 Market Street or other options under the existing lease, allowing the Health Service System to relocate to the new office building; and provide details on Health Service System's space requirements;
 - Recommends potential project alternatives if the increase in space is not required by DPW, DBI, City Planning or other City departments slated to occupy the new office building; and
 - Describes the Real Estate Division's overall space plan for Civic Center office space.
2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

