

1 [Amended and Restated Lease - San Francisco Market Corporation - San Francisco
2 Wholesale Produce Market - Jerrold Avenue and Toland Street]

3 **Resolution approving and authorizing the Director of Property to amend and restate the**
4 **current lease for the San Francisco Wholesale Produce Market, near 2095 Jerrold**
5 **Avenue (generally bordering Highway 280 and Innes and Kirkwood Avenues, and**
6 **Toland and Rankin Streets), with the San Francisco Market Corporation, including**
7 **authorizing separate parcel leases as needed to provide real estate security in order to**
8 **obtain one or more private construction loans; adopting findings pursuant to the**
9 **California Environmental Quality Act; adopting findings that the contemplated**
10 **transactions are consistent with the General Plan, and the eight priority policies of the**
11 **Planning Code, Section 101.1; and authorizing the Director of Property to execute an**
12 **amended and restated lease with the San Francisco Market Corporation (“Amended**
13 **and Restated Lease”), make certain modifications, as defined herein, and take certain**
14 **actions in furtherance of this Resolution and the Amended and Restated Lease, as**
15 **defined herein.**

16
17 WHEREAS, The San Francisco Wholesale Produce Market (“SFWPM”) is an
18 assemblage of dedicated produce and food professionals, co-located at one distribution
19 center near 2095 Jerrold Avenue, generally bordering Highway 280, Innes and Kirkwood
20 Avenues and Toland and Rankin Streets, and located at 1901 Innes, 2001 Innes, 1900
21 Kirkwood and 2000 Kirkwood Avenues, which is the largest facility dedicated to a wholesale
22 produce marketplace in Northern California; and

23 WHEREAS, The SFWPM is comprised of approximately 30 produce and food-related
24 businesses, is responsible for the direct employment of 700 people in the Production,
25

1 Distribution and Repair (“PDR”) industries, and is committed to being the Bay Area's leading
2 source of produce; and

3 WHEREAS, The SFWPM has operated at its current location since 1963, following
4 passage of a proposition establishing a municipal market, approved by the voters of San
5 Francisco in 1959, when the produce wholesalers relocated from the area near the current
6 Maritime Plaza and Golden Gateway redevelopment project area in downtown San Francisco;
7 and

8 WHEREAS, The SFWPM operated on approximately 350,000 square feet of City-
9 owned warehouse and industrial space under the terms and conditions of a 50-year master
10 lease (“Original Lease”) between the City, as landlord, and the City and County of San
11 Francisco Market Corporation, a non-profit corporation, as tenant, which expired on
12 January 31, 2013; and

13 WHEREAS, In 2012, the City and the San Francisco Market Corporation (“Tenant”), a
14 California non-profit corporation formed to facilitate the successful continued operation of the
15 SFWPM, entered into a new long-term lease that expires on January 31, 2073 (“Current
16 Lease”), in order to retain and make improvements to the SFWPM, as approved by Resolution
17 No. 280-12, which is on file with the Clerk of the Board of Supervisors in File No. 120530; and

18 WHEREAS, The Current Lease provides for the rehabilitation and expansion of the
19 SFWPM consistent with the Tenant’s Reinvestment and Expansion Plan (the “Plan”), a
20 phased, multi-year development that replaces the SFWPM’s aging physical infrastructure and
21 ensures the delivery of its essential services for decades to come; and

22 WHEREAS, Tenant celebrated the completion of Phase I of the Plan in 2015 with the
23 opening of a new, 82,000 square-foot, state of the art, distribution warehouse at 901 Rankin
24 Street; and

1 WHEREAS, The SFWPM continues to deliver significant public benefit to the residents
2 and businesses of San Francisco both for the high-quality PDR jobs provided, and for the
3 important role the SFWPM plays in food distribution to the City’s many restaurants and
4 grocery stores, which supports San Francisco’s reputation as a world-class food destination;
5 and

6 WHEREAS, The SFWPM serves as an informal anchor to other PDR activities in the
7 industrial areas of the Bayview district, attracting food-related businesses such as beverage
8 distribution, seafood wholesale and distribution, and dry goods vendors; and

9 WHEREAS, The City is committed to preserving space for critical industries related to
10 PDR activities in Bayview’s industrial district, with the intent to encourage the introduction,
11 intensification, and protection of a wide range of light and contemporary industrial activities;
12 and

13 WHEREAS, In the ten years since approval of the Current Lease, a number of general
14 market conditions have changed, including significant increases in the cost of construction,
15 making private financing of the contemplated improvements and the current rehabilitation
16 schedule of the Plan infeasible; and

17 WHEREAS, While Tenant is utilizing and will seek a variety of funding sources,
18 including New Markets Tax Credits, state grants, and other potential federal contributions,
19 Tenant still needs to obtain private commercial loans to augment these funding sources and
20 complete the Plan; and

21 WHEREAS, After discussions with multiple potential lenders, Tenant and the City have
22 determined that the provision of traditional real estate security, in the form of one or more
23 ground leases (for each of the new buildings at the site) with mortgagee protection provisions,
24 will enable Tenant to finance construction at a lower cost; and

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1 WHEREAS, The full vacation of Jerrold Avenue between Toland and Rankin Streets is
2 necessary for the Tenant to obtain the construction permits needed to implement the next
3 phases of the Plan; and

4 WHEREAS, City and Tenant have negotiated certain amendments to the Current
5 Lease to, among other matters, 1) allow division of the site into multiple separate parcel
6 leases that will enable Tenant to obtain private secured construction and permanent financing
7 for each SFWPM building, if and when approved by the Director of Property, and 2) provide
8 greater flexibility to Tenant in its phasing and implementation of the Plan to allow the
9 remaining portions of the City public rights-of-way that bisect the site to be vacated and
10 incorporated into the leased premises before completion of identified street improvements and
11 to allow Tenant greater time in which to begin construction of the next two warehouse
12 buildings identified in the Plan; these amendments are contained in the proposed amended
13 and restated lease on file with the Clerk of the Board of Supervisors in File No. 220900 (the
14 “Amended and Restated Lease”), and is hereby declared to be a part of this Resolution as if
15 set forth fully herein; and

16 WHEREAS, In connection with Tenant’s entering into private construction and/or
17 permanent secured debt financing for each building, to be approved by the City and on the
18 terms and conditions set forth in the Amended and Restated Lease, the City and Tenant
19 anticipate terminating the Amended and Restated Lease with respect to the applicable portion
20 of the Current Lease and simultaneously entering into one or more new separate parcel
21 leases, in substantially the form attached to the Amended and Restated Lease (each, a
22 “Separate Parcel Lease”), in order to meet typical lender requirements for secured financing
23 and support separate financing for each new or renovated building in the phased
24 redevelopment of the SFWPM; and

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1 WHEREAS, For the Current Lease, the Planning Department issued a Final Mitigated
2 Negative Declaration (“FMND”), dated July 5, 2011, and Tenant entered into an Agreement to
3 Implement Improvement and Mitigation Measures identified by the Planning Department in the
4 FMND (the "Mitigation Implementation Agreement"); a copy of the FMND and the Mitigation
5 Implementation Agreement is on file with the Clerk of the Board of Supervisors in File No.
6 120530; and

7 WHEREAS, The Board of Supervisors reviewed and considered the FMND for the
8 Plan, and the record as a whole, and found that there was no substantial evidence that the
9 Plan will have a significant effect on the environment with the adoption of the mitigation
10 measures contained in the Mitigation and Monitoring Report (“MMRP”) to avoid potentially
11 significant environmental effects associated with the Plan, and adopted the FMND by
12 Resolution No. 280-12; and

13 WHEREAS, Subsequent to the FMND, the Planning Department evaluated the Quint-
14 Jerrold Connector Road, a project unrelated to but near the Market, in an FMND addendum
15 dated June 4, 2012, and the Planning Department considered the cumulative impacts of both
16 projects and determined that the changes would not result in any new or more severe impacts
17 than what was identified in the FMND; and

18 WHEREAS, The Planning Department prepared a second addendum to the FMND,
19 dated July 21, 2022, copy of which is on file with the Clerk of the Board of Supervisors in File
20 No. 220900 and incorporated into this Resolution (the “Second Addendum”), that evaluated
21 the environmental effects of the proposed Amended and Restated Lease and concluded that
22 the proposed amendments would not result in new or different environmental impacts,
23 substantially increase the severity of previously identified environmental impacts or require
24 new mitigation measures to reduce significant impacts, and that no changes or new
25 information have emerged that would materially change the analyses or conclusions set forth

1 in the FMND; therefore, no supplemental environmental review is required beyond what is set
2 forth in the Second Addendum; and

3 WHEREAS, On September 6, 2011, the City Planning Department found that the
4 actions related to the Plan, as contemplated in the Current Lease, were consistent with the
5 General Plan, and with the eight priority policies of Planning Code, Section 101.1 (“General
6 Plan Findings”); a copy of such letter (“Planning Letter”) is on file with the Clerk of the Board
7 of Supervisors in File No. 120530, and is incorporated by reference as though fully set herein;
8 the Board has adopted these findings as its own when it approved the Current Lease; and

9 WHEREAS, On May 1, 2022, the Planning Department issued a Note to File stating
10 that the Amended and Restated Lease does not change its prior findings related to General
11 Plan, and eight Planning code priority policies and that the Planning Letter remains valid; a
12 copy of this Note to File is on file with the Clerk of the Board of Supervisors in File No. 220900
13 and incorporated into this Resolution; and

14 WHEREAS, The Board of Supervisors considered the Plan and the proposed source of
15 funds and, in Resolution No. 280-12, found that the construction by Tenant of the Plan under
16 the Current Lease does not constitute a public work or public improvement and accordingly
17 Tenant’s contracts for the improvements are not subject to the requirements of Chapter 6 of
18 the Administrative Code, however Tenant must comply with the prevailing wage provisions of
19 subsection (b) of Charter, Section A7.204 and Section 6.22(E) of the Administrative Code with
20 respect to the construction of the improvements; now, therefore, be it

21 RESOLVED, The Board of Supervisors hereby adopts the Second Addendum and the
22 MMRP for the proposed amendments, which are incorporated by reference as though fully set
23 forth herein; all required mitigation measures identified in the FMND and contained in the
24 MMRP are included as conditions of approval; and, be it

1 FURTHER RESOLVED, The Board of Supervisors further finds that since the Second
2 Addendum was finalized, there have been no substantial project changes and no substantial
3 changes in project circumstances that would require revisions to the Second Addendum due
4 to the involvement of new significant environmental effects or an increase in the severity of
5 previously identified significant impacts, and there is no new information of substantial
6 importance that would change the conclusions set forth in the Second Addendum; and, be it

7 FURTHER RESOLVED, The Board of Supervisors hereby adopts the Planning
8 Department's CEQA determination and General Plan findings, for the same reasons as set
9 forth in the Planning Letter, FMND, and Second Addendum, and hereby incorporates such
10 determinations by reference as though fully set forth in this Resolution; and, be it

11 FURTHER RESOLVED, That the Amended and Restated Lease shall include the
12 premises presently occupied by Tenant under the Current Lease, and, in order to improve
13 operations on the site and to provide better controls for food safety, shall also include certain
14 portions of improved and paper streets which presently bisect the site upon the City's vacation
15 and jurisdictional transfer of said lands to Department of Real Estate as set forth in Ordinance
16 No. 163-12, a copy of which is on file with the Clerk of the Board of Supervisors in File No.
17 120670; and, be it

18 FURTHER RESOLVED, That any proposed private secured construction and
19 permanent financing for the SFWPM shall remain subject to City approval as set forth in the
20 Amended and Restated Lease; and, be it

21 FURTHER RESOLVED, That any City approvals required by the Amended and
22 Restated Lease shall be made, if at all, by the Director of Property in writing following
23 consultation with the Controller, City Attorney's Office, and any other City staff selected at the
24 Director of Property's discretion; and, be it

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1 FURTHER RESOLVED, That the Amended and Restated Lease shall include a revised
2 schedule of performance and shall require periodic updates to the Plan to hold Tenant
3 accountable for delivering an improved SFWPM within a reasonable schedule and budget;
4 and shall require Tenant to continue to comply with the terms of the Mitigation Implementation
5 Agreement; and, be it

6 FURTHER RESOLVED, That the Amended and Restated Lease shall continue to allow
7 Tenant to accrue revenues from subleasing the premises and operating the SFWPM and to
8 secure financing to fund the phased improvements of the facility, except in the event of a
9 foreclosure or other dispossession event under a Separate Parcel Lease, in which case the
10 Separate Parcel Lease tenant shall pay to City a fair market rent in accordance with the terms
11 of the Separate Parcel Lease; and, be it

12 FURTHER RESOLVED, That the Amended and Restated Lease shall continue to
13 require Tenant to use good faith efforts to achieve market rent in subleases whenever
14 possible and to enter into subleases with terms that are reasonable in light of the market
15 conditions existing at the time of such sublease, with City review and input upon any
16 requested deviations from a baseline market rent leasing schedule; and, be it

17 FURTHER RESOLVED, That in the event of a foreclosure or other dispossession
18 event under a Separate Parcel Lease, the Separate Parcel Lease premises shall remain
19 restricted to the primary uses of receiving, storing, selling, distributing and producing
20 agriculture, horticultural products, produce and other food products and related uses; hosting
21 food industry trade shows; educational and training programs related to the food industry,
22 nutrition and sustainability; and support and services uses that are ancillary to such uses; and,
23 be it

24 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
25 Property to enter into any Separate Parcel Lease and amend the Amended and Restated

1 Lease to remove the applicable Separate Parcel Lease premises, provided (i) the Director of
2 Property must provide not less than 30 days' prior notice to the Board of Supervisors of the
3 proposed Separate Parcel Lease, and (ii) any Board of Supervisors member will have the
4 discretion to require that the Separate Parcel Lease be considered and approved by the
5 Board of Supervisors by notifying the Clerk of the Board and the Director of Property of such
6 requirement in writing during the 30-day period, and (iii) upon execution, the Director of
7 Property shall send to the Clerk of the Board of Supervisors the Separate Parcel Lease and
8 the amendment of the Amended and Restated Lease for the Board file; and, be it

9 FURTHER RESOLVED, That in accordance with the recommendation of the Director
10 of Property, the City Administrator and the Director of Property are hereby authorized to take
11 all actions on behalf of the City, as landlord, to enter into, execute, and perform its obligations
12 under the Amended and Restated Lease (including, without limitation, the exhibits) and any
13 other documents that are necessary or advisable to effectuate the purpose of this Resolution
14 and the Amended and Restated Lease; and, be it

15 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
16 with respect to the Amended and Restated Lease is hereby approved, confirmed, and ratified;
17 and, be it

18 FURTHER RESOLVED, That the Board of Supervisors authorizes the City
19 Administrator and the Director of Property to enter into any amendments or modifications to
20 the Amended and Restated Lease (including, without limitation, the exhibits) that the City
21 Administrator or the Director of Property determines, in consultation with the City Attorney, are
22 in the best interest of the City, do not materially increase the obligations or liabilities of the
23 City, are necessary or advisable to effectuate the purposes of the Amended and Restated
24 Lease or this Resolution, and are in compliance with all applicable laws, including the City
25 Charter; and, be it

1 FURTHER RESOLVED, That within thirty (30) days of the lease being fully executed
2 by all parties, the Director of Property shall provide the final lease to the Clerk of the Board for
3 inclusion into the official file.

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7 Recommended:

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9 /s/ _____

10 Andrico Penick, Director of Property

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13 /s/ _____

14 Carmen Chu, City Administrator