

LEGISLATIVE DIGEST

[Real Property Acquisition - Market & Noe Center LP - 2280 Market Street - Not to Exceed \$11,620,000 - Certain Administrative Code Waivers]

Ordinance 1) approving and authorizing the Director of Property to acquire certain real property located at 2280 Market Street (the “Property”); 2) approving and authorizing a Purchase and Sale Agreement for the acquisition of the Property from Market & Noe Center LP, a California Limited Partnership for an amount not to exceed \$11,620,000 including closing costs (“Purchase Agreement”); 3) authorizing the Director of Property to make certain modifications to the Purchase Agreement and take certain actions in furtherance of the Purchase Agreement; 4) adopting findings that the Property is exempt surplus land under the California Surplus Land Act; 5) exempting the property management, operation, repair, and maintenance of the Property from the contracting and procurement requirements in Administrative Code, Chapters 6, 14B and 21, and Labor and Employment Code, Articles 131 and 132; 6) placing the Property under the jurisdiction of the Real Estate Division; 7) authorizing the Director of Property to use revenues generated from the Property for: (a) Property-related costs, (b) 10% of the gross revenues for the Real Estate Division’s administrative costs related to the Property, and (c) the remainder to be retained in a segregated account for the benefit of the future LGBTQ+ history museum’s capital improvements, operating expenses and reserves, tenant improvements, and programming expenses; and 8) affirming the Planning Department’s determination under the California Environmental Quality Act, and adopting the Planning Department’s findings that the Purchase Agreement is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Existing Law

Administrative Code Chapters 6, 14B and 21 and Labor and Employment Code Articles 131 and 132 establish the policies, procedures, and required contract terms that apply under City law to public works, real property and services contracts, including property management contracts and lease agreements. If the Board of Supervisors adopts this proposed uncoded ordinance, the leasing, property management, operation, repair and maintenance of the property located at 2280 Market Street would be exempt from these provisions.

Amendments to Current Law

There are no amendments to current law.

Background Information

The City desires to acquire property in San Francisco's historic Castro neighborhood for the Gay, Lesbian, Bisexual, Transgender ("GLBT") Historical Society to operate and manage an anticipated future LGBTQ+ history museum. The City has identified real property located at 2280 Market Street (the "Property") as a suitable site for the LGBTQ+ history museum.

The Property consists of a 14,640 square foot parcel with a two story, 22,330 square foot building (the "Building"), and a 33 space parking lot. The purchase price for the Property is \$11,620,000, including closing costs. As part of the acquisition, the City will assume two existing leases for tenants currently occupying the ground floor space of the Building: (1) CVS, a retail company that sublets its premises to Barry's Bootcamp, a fitness studio, under a sublease that expires January 29, 2040; and (2) Dignity Health, a nonprofit health care organization that operates a Go Health Urgent Care clinic under a lease that expires April 13, 2036 (the "Assumed Leases").

The Assumed Leases will generate revenues that will be placed in a segregated account from which the Director of Property may approve expenditures only with the written approval of the City Administrator. The City will use funds in the account solely to: (1) fulfill the City's obligations as landlord under the Assumed Leases, the anticipated lease with the Community Arts Stabilization Trust ("CAST") and any applicable law; (2) pay the property management, operating, repair, maintenance, and replacement costs for the Property; and (3) pay 10% of the gross revenues to the Real Estate Division to cover its administrative costs in managing the Property. Any remaining funds will be placed on Controller's Reserve in a segregated account for the benefit of the future LGBTQ+ history museum's capital improvements, operating expenses and reserves, tenant improvements, and programming expenses.

The second floor of the Building will be vacant when acquired and will provide an approximately 11,165 square foot space for the LGBTQ+ history museum. It is anticipated that the LGBTQ+ history museum will expand into the ground floor space when the Assumed Leases expire.

For purposes of managing and operating the Property, the Assumed Leases, and the LGBTQ+ history museum, the City desires to establish a public-private partnership with CAST, a community-centered, arts and culture focused real estate organization that works to secure and steward affordable spaces for non-profit arts and culture organizations in San Francisco. The Real Estate Division will lease the Property to CAST ("CAST Lease") and CAST will sublease the second floor of the Building and the ground floor space as the Assumed Leases expire, to the GLBT Historical Society ("Sublease"). The CAST Lease and Sublease are anticipated to be brought to the Board of Supervisors for approval in mid-2025.

The GLBT Historical Society will have a first option to purchase the Property. If, however, for any reason, the GLBT Historical Society fails to meet required purchase milestones identified in the Sublease or fails to exercise its purchase option, CAST will have an option to purchase the Property.

This proposed ordinance would authorize the acquisition of the Property; the City's assumption of the rights and obligations as landlord under the Assumed Leases; and exempts the leasing, property management, operation, repair and maintenance of the Property from the contracting and procurement requirements in Administrative Code, Chapters 6, 14B and 21 and Labor and Employment Code Articles 131 and 132.

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