

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.**

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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. \_\_\_\_\_, for the potential City acquisition of the Proposed  
25 Office Building under a conditional purchase and sale agreement (the “conditional PSA”); and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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\$1,250,000 available  
Index Code:

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Controller

RECOMMENDED:

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Director of Property

RECOMMENDED:

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City Administrator