

LEGISLATIVE DIGEST

[Conditional Purchase Agreement - Goodwill SF Urban Development, LLC - 1500-1580 Mission St.-\$326,690,953 Anticipated Project Cost]

Ordinance approving and authorizing the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC, a Delaware limited liability company (“Developer”) for the proposed City acquisition of a portion of the real property at 1500-1580 Mission Street, located at the corner of South Van Ness Avenue and Mission Street (Assessors Block 3506, Lots 2 and 3), for approximately \$30,296,640 plus approximately \$25,884,132 in predevelopment costs, together with a Construction Management Agreement for the completion of an approximately 466,400 gross square foot office building anticipated to cost \$270,510,181 for a total anticipated project cost of \$326,690,953; exempting the project from contracting requirements in Administrative Code, Chapter 6, and Chapter 14B; and approving the Developer, architect, and general contractor without competitive bidding, but requiring the payment of prevailing wages, implementation of a local business enterprise utilization program, and compliance with the City’s local hire policy and first source hiring Ordinance.

Amendments to Current Law

This is a contract approval action. If the Board of Supervisors adopts this ordinance, the City would enter into a conditional purchase agreement (the “Agreement”) for a new City office building and exempt the proposed project from certain contracting requirements in Administrative Code Chapters 6 and 14B. There are no amendments to current law.

Background Information

Developer and the City entered into an exclusive negotiations agreement (the “ENA”) for the Developer’s completion of a City office building on real property at the corner of Mission Street and South Van Ness Avenue, which was approved by Board Resolution No. 312-14 on July 29, 2014. The Agreement was negotiated by the parties under the ENA.

Under the Agreement, Developer must pay for the environmental review and seek project entitlements for the proposed City office building. Developer intends to simultaneously seek entitlements for an adjacent residential project, but that is not part of the Agreement.

Upon the completion of environmental review and on the date that the Board considers the office project entitlements, the Board must elect to either ratify the Agreement and proceed with the proposed office project or reject the Agreement based solely on the environmental impacts of the project. If the Board elects to ratify the Agreement, the Board must also

authorize the issuance of certificates of participation or other indebtedness in the full amount of the project costs, currently estimated at \$326,690,953. If the Board rejects the Agreement based upon the environmental impacts or does not authorize the issuance of the certificates of participation or other indebtedness, then the City must pay to Developer all of Developer's predevelopment costs up to \$8,072,300.

Following the Board's ratification of the Agreement, the City must issue the COPs or other indebtedness to pay all of the project costs. Upon such issuance, the City would acquire the land from Developer for approximately \$30,296,640 (land cost) plus \$25,884,132 (predevelopment costs) and would engage the Developer as its construction manager under a construction management agreement (the "CMA"). Under the CMA, Developer would enter into construction and other contracts for the completion of the office project. The form of the construction contract must be approved by the City on or before the date that the City issues the COPs or other indebtedness. Following completion of the office project (or upon any earlier termination of the CMA), Developer would assign all of its rights under the construction and other contracts to the City, including all warranties and guaranties. The Developer has no responsibility for any default by the construction contractor or other project contractors, but would assist the City in enforcing these contracts.

The City approves SOM as the architect and Swinerton as the general contractor, and exempts the office project from contracting requirements in Administrative Code Chapters 6 and 14B.

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