

1 [Lease and Facilities Agreement - The Mexican Museum - 706 Mission Street - \$1 Base Rent]

2 **Resolution authorizing the Lease and Facilities Agreement between the City and**
3 **County of San Francisco, as Landlord, and The Mexican Museum, as Tenant, of**
4 **approximately 48,000 square feet in the building to be developed by 706 Mission Street**
5 **Co., LLC, as Developer, at 706 Mission Street in San Francisco, to operate the Mexican**
6 **Museum for a term of 66 years, plus a 33-year extension option, at a total base rent of**
7 **\$1 for the term of the Lease, commencing upon Developer conveying fee title of the**
8 **Museum Premises to the City; and adopting findings, including environmental findings.**
9

10 WHEREAS, The Redevelopment Agency of the City and County of San Francisco (the
11 “Former Agency”) was the owner of Parcels 3706-275 and 3706-277 (the “Agency Property”),
12 located at 706 Mission Street in San Francisco; and
13

14 WHEREAS, In 2012, the Former Agency was dissolved pursuant to State legislative
15 and case law and the Office of Community Investment and Infrastructure, as successor
16 agency to the Former Agency (“OCII”), was designated the Former Agency’s rights, title and
17 interests in the Agency Property; and

18 WHEREAS, On July 16, 2013, OCII entered into a Purchase and Sale Agreement of
19 the Agency Property, or “PSA”, with 706 Mission Street Co, LLC (“Developer”); and

20 WHEREAS, Developer owns adjacent Parcel 3706-093 (“Developer Property”) and
21 intends to develop both the Developer Property and the Agency Property (collectively, the
22 “Project Site”) with 1) Residential uses in a new tower of approximately 510 feet in height; 2) A
23 cultural component of approximately 48,000 net square feet fronting Jessie Square for the
24 development of a museum to be open to the public (the “Mexican Museum”); 3) The historic
25 rehabilitation of the Aronson Building; 4) Approximately 4,800 gross square feet of additional

1 restaurant/retail uses on the ground floor of the Aronson Building; 5) The purchase of the
2 Jessie Square Garage (collectively, the “Project”); and

3 WHEREAS, Pursuant to the PSA, the Developer agreed to construct the core and shell
4 improvements (“Core and Shell Obligations”) of the 48,000 square foot, 4-story, Mexican
5 Museum on the Project Site; and

6 WHEREAS, Pursuant to the PSA, Developer shall convey to the City the fee title
7 of the condominium unit or parcel (the “Museum Conveyance”) that is a portion of Floors
8 1 through 4 of the Project (“Museum Premises”) upon 1) satisfactory completion of the Core
9 and Shell Obligations specified in Exhibit O; and 2) the City entering into a lease (“Lease”) of
10 the Museum Premises with The Mexican Museum, a non-profit public benefit corporation
11 organized and existing under the laws of the State of California (“Tenant”) for the operation of
12 the Mexican Museum; and

13 WHEREAS, City and Tenant, through its Real Estate Division and with consultation
14 from the Office of the City Attorney and Arts Commission staff, have negotiated the Lease
15 with a nominal base rent of \$1.00 for a 66-year term, plus Tenant’s one (1) option to extend
16 the lease an additional 33 years, subject to approval by the Board of Supervisors and Mayor,
17 in their respective sole and absolute discretion; and

18 WHEREAS, The Lease would commence upon the date of Museum Conveyance; and

19 WHEREAS, OCII and the Tenant are parties to a Grant Agreement dated December
20 15, 2010, whereby, OCII shall disburse approximately \$10.5 million of funding to Tenant for
21 predevelopment and planning activities and the design and construction of tenant
22 improvements (the “TI Obligations”) for the Museum Premises; and

23 WHEREAS, Tenant shall be responsible for all costs associated with the Museum
24 Premises and operation of the Mexican Museum, including but not limited to utilities, services,
25 taxes, insurance, maintenance and repair; and

1 WHEREAS, City shall not be responsible for and shall not bear any cost of the
2 Developer's Core and Shell Obligations or the Tenant's TI Obligations; and

3 WHEREAS, City has completed environmental review for the Project, including the
4 Mexican Museum, pursuant to the California Environmental Quality Act ("CEQA")
5 (California Public Resources Code Sections 21000 et seq.), the CEQA Guidelines
6 (California Code of Regulations, title 14, Sections 15000 et seq.), and Chapter 31 of the
7 San Francisco Administrative Code (collectively, the "Environmental Review"); and

8 WHEREAS, On March 21, 2013, the City Planning Commission certified, by
9 Motion No. 18829, the Final Environmental Impact Report for the Project (the "FEIR"),
10 several parties timely appealed the Planning Commission's certification of the FEIR, and
11 on May 7, 2013, the San Francisco Board of Supervisors heard the appeals and affirmed
12 the Planning Commission's certification of the FEIR and Planning Commission Motion
13 No. 18829 are on file with the Clerk of the Board of Supervisors in File No. 130570 and
14 are incorporated herein by reference; and

15 WHEREAS, On May 15, 2013, the Historic Preservation Commission, by Motion
16 No. 0197, adopted CEQA Findings including Findings of Overriding Consideration for the
17 Project; and

18 WHEREAS, On May 23, 2013, the Recreation and Park Commission, by Motion
19 No. 1305-014, adopted CEQA Findings including Findings of Overriding Consideration
20 for the Project; and

21 WHEREAS, Also on May 23, 2013, the Planning Commission, by Motion No.
22 18875, adopted CEQA Findings including Findings of Overriding Consideration for the
23 Project; now, therefore, be it

24 RESOLVED, That in accordance with the recommendation of the Director of Property,
25 that the Director of Property on behalf of the City, as Landlord, be and is hereby authorized to

1 take all actions necessary to execute the Lease (a copy of which is on file with the Clerk of the
2 Board of Supervisors in File No. 150159) at 706 Mission Street in San Francisco, California,
3 for an initial term of sixty-six (66) years, plus a 33-year extension option, at a nominal base
4 rent of \$1.00 for the term of the Lease; and, be it

5 FURTHER RESOLVED, That the Board hereby re-adopts and incorporates by
6 reference the environmental findings and findings of consistency with the General Plan and
7 Planning Code, Section 101.1, it made in Ordinance No. 177-13, Board File No. 130570
8 concerning the project at 706 Mission Street – the Mexican Museum and Residential Tower
9 Project (“Project”) which includes a Vesting Tentative Map for a 190 Unit Mixed-Use
10 Condominium Project located at 86 3rd Street, 700 Mission Street, 706 Mission Street, and
11 738 Mission Street, Assessor’s Block No. 3706, Lot Nos. 093, 275 and 277; since the Board
12 approved the Project and made CEQA findings, the Board continues to find that there have
13 been no substantial changes to the Project that would require major revisions to the Final EIR
14 or result in new or substantially more severe significant environmental impacts that were not
15 evaluated in the Final EIR; no substantial changes in circumstances have occurred that would
16 require major revisions to the Final EIR or result in new or substantially more severe
17 significant environmental impacts that were not evaluated in the Final EIR; no new information
18 has become available that was not known and could not have been known at the time the
19 Final EIR was certified as complete and that would result in new or substantially more severe
20 significant environmental impacts not evaluated in the Final EIR; and no mitigation measures
21 or alternatives previously found infeasible would be feasible or mitigation measures or
22 alternatives considerably different than those analyzed in the Final EIR would substantially
23 reduce significant environmental impacts, but the Project proponent declines to adopt them;
24 and, be it

1 FURTHER RESOLVED, That the Director of Property shall be authorized to enter into
2 any additions, amendments or other modifications to the Lease (including, without limitations,
3 the exhibits) that the Director of Property determines, in consultation with the City Attorney,
4 are in the best interests of the City, do not materially increase the obligations or liabilities of
5 the City, and are necessary or advisable to complete the transaction and effectuate the
6 purpose and intent of this resolution; and, be it

7 FURTHER RESOLVED, That any action taken by the Director of Property and other
8 officers of the City with respect to the Lease are hereby approved, confirmed and ratified; and
9 be it

10 FURTHER RESOLVED, That within thirty (30) days of the agreements being fully
11 executed by all parties, the Director of Real Estate shall provide the agreements to the Clerk
12 of the Board for inclusion into the official file.

1 RECOMMENDED:

2
3
4 Director of Property
Real Estate Division
5
6
7

8 RECOMMENDED:

9
10 Director of Cultural Affairs
Arts Commission
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25