

1 [Term Sheet Endorsement - The Regents of the University of California - Ground Lease -
2 Research Facility at 1001 Potrero Avenue - \$180,000 Per Annum]

3 **Resolution endorsing a non-binding term sheet with The Regents of the University of**
4 **California (the Regents) for the potential lease by the Regents of the B/C Lot of the**
5 **Priscilla and Mark Zuckerberg San Francisco General Hospital Campus at 1001 Potrero**
6 **Avenue (a portion of Assessor's Parcel Block No. 4154, Lot No. 001) for development**
7 **by the Regents of a research facility for an initial lease term of 75 years and initial base**
8 **rent of \$180,000 per annum.**

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10 WHEREAS, The Priscilla and Mark Zuckerberg San Francisco General Hospital and
11 Trauma Center ("SFGH"), is one of the nation's leading public hospitals and has continuously
12 provided a wide range of ambulatory, emergency, acute care and trauma services to San
13 Francisco residents for more than one hundred years; and

14 WHEREAS, The SFGH campus is under the jurisdiction of the City's Department of
15 Public Health ("DPH"); and

16 WHEREAS, DPH and The Regents of the University of California ("the Regents" or
17 "UCSF") have a long standing affiliation through which UCSF provides physicians and other
18 professional services at SFGH; and

19 WHEREAS, Through the SFGH-UCSF partnership, physicians who are leaders in their
20 fields have been attracted to UCSF and SFGH and have established SFGH as one of the
21 nation's leading academic medical centers with a top training program for residents and
22 medical students; and

23 WHEREAS, SFGH is home to more than twenty UCSF research centers and major
24 laboratories, and over 150 principal UCSF investigators conduct research at the SFGH
25 campus; and

1 WHEREAS, The co-location of patient care, teaching and research activities is critical
2 to the ability to recruit and retain the physician leaders who treat patients at SFGH; and

3 WHEREAS, In February 2013 the Mayor and City Administrator established a task
4 force co-chaired by the San Francisco Health Director (or designee) and the UCSF Chancellor
5 (or designee) to collaborate on the development and implementation of certain capital projects
6 on the SFGH campus and to explore the proposal that UCSF construct a modern academic
7 research building at SFGH on what is currently approximately 51,475 square feet of the B/C
8 surface parking lot (the "Research Facility"), which would allow UCSF to consolidate existing
9 SFGH campus research centers and laboratories; and

10 WHEREAS, Since February 2013 staff from the City (DPH, Department of Real Estate,
11 Planning Department and City Attorney's Office) and staff from the Regents have negotiated a
12 number of agreements with respect to the proposed new Research Facility, including a Fee
13 Payment Agreement between DPH and UCSF, dated October 23, 2013, which establishes
14 cost sharing for the negotiation process, and a Memorandum of Understanding between
15 UCSF and the Director of the Planning Department, dated September 23, 2013, which
16 outlines the manner in which the Regents and the Planning Department will cooperate to
17 perform the environmental review for the proposed Research Facility; and

18 WHEREAS, The Director of Property, in consultation and collaboration with the Office
19 of the City Attorney and DPH staff, negotiated a non-binding term sheet (the "Term Sheet"), a
20 copy of which is on file with the Clerk of the Board of Supervisors under File No.

21 _____, that sets forth certain basic economic parameters and other fundamental
22 terms to serve as the basis for City staff and UCSF staff negotiating a ground lease between
23 the City and the Regents of that portion of the SFGH campus known as the B/C Lot for the
24 development, ownership and operation of the proposed Research Facility (the "Ground
25 Lease"), and provides that the parties will negotiate in good faith with a goal of completing

1 negotiations on the Ground Lease and related agreements by June 30, 2016; and

2 WHEREAS, Under the Term Sheet, the City and UCSF agree to negotiate in good faith
3 for the Ground Lease on the terms set forth in the Term Sheet; and

4 WHEREAS, The Term Sheet is not itself a binding agreement that commits the City or
5 the Regents to proceed with the approval of the Ground Lease or the Research Facility
6 (collectively, the "Project"), and all Project approvals by the City and the Regents, including
7 approvals for the Research Facility and the Ground Lease, are subject to completion of
8 environmental review, including identification of a full range of appropriate alternatives and
9 mitigation measures under the California Environmental Quality Act ("CEQA") and will be
10 subject to public review in accordance with the processes of the City and Regents; and

11 WHEREAS, The Term Sheet proposes certain terms and conditions for a Ground
12 Lease, including, but not limited to (1) an initial term of 75 years, with an option to extend for
13 an additional 24 years, (2) base rent of \$180,000 per annum, (3) annual rental increases of
14 1.75% with resets to fair market rent in years 21, 46, and 61 capped as noted in the Term
15 Sheet, (4) acknowledgement that the rental rate takes into consideration a credit equal to the
16 fair rental value of 85,000 square feet of research space that DPH agrees to provide to UCSF
17 at no cost in exchange for certain administrative costs incurred by UCSF in providing
18 physicians to SFGH, and (5) certain parking impact financial contributions; and

19 WHEREAS, On May 5, 2015, by Resolution No. 15-7, a copy of which is on file with the
20 Clerk of the Board of Supervisors under File No. _____, the San Francisco Health
21 Commission endorsed the Term Sheet and directed DPH staff to seek the endorsement of the
22 Board of Supervisors of the Term Sheet, and upon the receipt of such endorsement to
23 continue negotiations with UCSF staff with a goal of completing negotiations on the Ground
24 Lease and related agreements by June 30, 2016; and

25 WHEREAS, Staff from the City and the Regents wish to obtain the endorsement of the

1 Term Sheet by the Board of Supervisors; and

2 WHEREAS, The Board of Supervisors has reviewed and considered the proposed
3 terms for the Project as set forth in the Term Sheet; now, therefore, be it

4 RESOLVED, That in accordance with the recommendations of the Director of Property
5 and the Director of Health, the Board endorses the Term Sheet, in substantially the form
6 presented to the Board, and authorizes City staff to continue the negotiation of the Ground
7 Lease consistent with the Term Sheet and such additions, amendments or other modifications
8 to the Term Sheet that the Director of Property and Director of Health determine are in the
9 best interests of the City; and, be it

10 FURTHER RESOLVED, That if the parties are successful in negotiations, the Director
11 of Property and Director of Health shall seek Health Commission and Board approval of the
12 Ground Lease before it will become effective; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors' endorsement of the Term
14 Sheet does not commit the City to approve the final Ground Lease or Research Facility, nor
15 does endorsement of the Term Sheet foreclose the possibility of City considering alternatives
16 to the proposal, mitigation measures, or deciding not to approve the Ground Lease after
17 conducting and completing appropriate environmental review under CEQA, and while the
18 Term Sheet identifies certain essential terms of a proposed Ground Lease, it does not bind
19 the City to the terms of the Term Sheet or set forth all of the material terms and conditions of
20 any final transaction documents; and, be it

21 FURTHER RESOLVED, That the Board of Supervisors will not take any discretionary
22 actions committing City to enter into the Ground Lease, and the provisions of the Term Sheet
23 are not intended to and will not become contractually binding on the City, unless and until (1)
24 the Health Commission, acting as a responsible agency under CEQA, has reviewed and
25 considered the environmental documentation prepared by the Regents in compliance with

1 CEQA and adopted appropriate CEQA findings in compliance with CEQA and has approved
2 the terms of the final transaction documents for the Ground Lease; (2) the Board of
3 Supervisors, acting as a responsible agency under CEQA, has reviewed and considered the
4 environmental documentation prepared by the Regents in compliance with CEQA and
5 adopted appropriate CEQA findings in compliance with CEQA; and (3) the Board of
6 Supervisors has considered and approved the terms of the Ground Lease and other
7 transaction documents.

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11 RECOMMENDED:

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13 _____
14 Director of Property

15 RECOMMENDED:

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17 _____
18 Barbara A. Garcia
19 Director of Health
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