



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

July 7, 2015

Sale of City Property
30 Van Ness Avenue

Through Naomi Kelly,
City Administrator

Honorable Board of Supervisors
City & County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

Dear Board Members:

Attached for your consideration is an Ordinance authorizing the sale of City-owned property located at 30 Van Ness Avenue for a sale price of not less than \$87,000,000. The Ordinance also authorizes the use of a portion of the sales proceeds necessary to defease the existing debt against the property.

The sales proceeds are dedicated toward not only payment of debt, but also dedicated toward the costs to replace the offices at a to-be-determined site in the near future. But for the dedication of the sales revenues toward these purposes, the City would not be offering the property for sale, as the property would not be surplus. This is an opportunity for the City to improve the condition of the civic center office portfolio serving the City's needs, while monetizing at the peak of the market the value of this existing asset at 30 Van Ness. Therefore, the Ordinance confirms that the sale of 30 Van Ness Avenue is excluded from the sale requirements of the Surplus Property Ordinance.

This sales effort is consistent with (but independent of) the Board-approved actions taken in the summer and winter of 2014 related to a concurrent effort to secure alternative new office facilities within the Civic Center area.

Proposed Ordinance

The proposed Ordinance authorizes the Director of Property to sell the Property through a competitive bid on the conditions that:

- (i) the sale price is equal to or greater than \$87,000,000;
- (ii) the sale be effectuated through a conveyance deed that imposes requirements upon redevelopment that meet or exceed certain minimum affordable housing provisions and obligations set forth in the Market Octavia Area Plan; and

(iii) the sale provide for a holdover lease for the City for certain office space in the Property, and also authorizes the Director of Property to enter into the holdover lease.

Through this Ordinance, the Controller shall establish a continuing project account into which the proceeds from the sale of the Property as well as proceeds from the future sales of 1660 Mission Street and 1680 Mission Street shall be deposited. The first \$122,000,000 deposited into this account shall be used for the purpose of developing other office space to accommodate City functions relocated from these or other City facilities and repaying debt on the properties sold. Additional sales proceeds received beyond this \$122,000,000 shall be used for the purpose of development of affordable housing at these or other sites. All other expenditures from the account shall be subject to future appropriation by the Mayor and Board of Supervisors.

This creative approach to selling this asset and reinvesting certain proceeds from aggregated sales, along with reinvestment of certain fees, will yield the City the highest financial return on the property, yet allow the City to mandate affordability requirements in the future redevelopment of the property at nearly 33% of the units produced (or approximately 200 units as affordable to those of incomes of no more than 55% of AMI, out of an approximately 600 unit project).

If you have questions regarding this sale, please do not hesitate to contact me.

Respectfully,

John Updike
Director of Property