



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



John Updike
Director of Real Estate

November 17, 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:

Following this summer's Board direction to finalize the terms of a sale of 30 Van Ness to the most responsive bidder, we are pleased to present a Purchase and Sale Agreement that attains a purchase price that is 84% over the appraised value and provides a path to secure 33% affordability in a future high-rise residential project at this critical Transit-Oriented Development location.

Attached for your consideration is a Resolution ratifying the Purchase and Sale agreement ("Agreement") between the City and 30 Van Ness Holdings LLC ("Buyer") for the sale of City-owned property located at 30 Van Ness Avenue ("30 Van Ness" or, the "Property") for a sales price of \$80,000,000. Ratifying this Resolution authorizes the Director of Property to take all reasonable and necessary actions for closing an escrow for the sale of the Property, including, recording affordability conditions against the Property regarding any future residential redevelopment. Concurrent with the final sale and as a condition of the Agreement, the City shall enter into a lease with the Buyer, at a below-market rate, for the City's continued occupancy at 30 Van Ness through at least December 31, 2018.

30 Van Ness Background Information

On May 7, 2001 the Board of Supervisors adopted and on May 9, 2001, the Mayor approved Resolution No. 344-01, which authorized the City to issue up to \$35,950,000 in City and County of San Francisco Certificates of Participation (30 Van Ness Property), Series 2001A (the "Series 2001A Certificates) to partially finance City's purchase of 30 Van Ness, and on November 21, 2006 the Board of Supervisors adopted Resolution No. 680-06 and on November 29, 2006 the Mayor approved Resolution No. 680-06, which authorized the City to issue up to \$162,000,000 in City and County of San Francisco Certificates of Participation (City Office Buildings—Multiple Properties Project), Series

2007A (the “Series 2007A Certificates”) to finance, among other purposes, the improvement of the Property.

Ordinance No. 153-15 Regarding Sale of 30 Van Ness

On July 28, 2015, the Board approved, and on August 6th, the Mayor signed Ordinance No. 153-15. The Ordinance authorized the use of a portion of the proceeds from any sale of 30 Van Ness to defease up to \$25,870,000 of the outstanding principal amount of Certificates of Participation (30 Van Ness Property) Series 2001A and up to \$5,900,000 outstanding principal amount of Certificates of Participation (City Office Buildings—Multiple Properties Project) Series 2007A, (Series 2001A and 2007A are collectively, the “Debt Defeasance”). The Ordinance also authorized the Controller to establish a continuing project account into which the proceeds from this sale of the Property, as well as proceeds from the future sales of 1660 Mission Street and 1680 Mission Street (the “Mission Street Properties”), shall be deposited for the purpose of developing other office space to accommodate City functions relocated from these or other City facilities (“Replacement Office Space Needs”).

The fiscal requirements of Debt Defeasance and Replacement Office Space Needs total approximately \$122,000,000. After accounting for more than \$79,600,000 in net proceeds from the sale of 30 Van Ness (net of 0.5% of the sales price paid by City as brokerage fees), and as contemplated in the Ordinance, any proceeds from the combined sales of the Mission Street Properties in excess of \$42,400,000 (“Excess Sales Proceeds”) may be appropriated by the Board for the purpose of developing affordable housing at 30 Van Ness or other sites.

The Ordinance confirmed that the sale of 30 Van Ness Avenue is excluded from the sale requirements of the Surplus Property Ordinance. The Ordinance also affirmed the Planning Department’s determination under the California Environmental Quality Act and adopted findings that this sale is consistent with the General Plan and the eight priority policies of Planning Code Section 101.1.

Residential Redevelopment – 33% Affordability

In response to Board and Mayoral direction, the City’s Real Estate Division negotiated the attached Agreement to sell 30 Van Ness to Buyer on the condition that affordability requirements are imposed upon any future residential redevelopment of the Property (“Residential Project”). Specifically, the Agreement gives the City the unilateral right to increase affordability within a future Residential Project up to a level of thirty-three percent (33%) on-site. Within a 500-unit development, such a discretionary future election by City would result in 165 new additional affordable units, contributing to the City’s goal of 30,000 new affordable units by 2020.

In order to increase affordability at the Property at no new cost to the City, the City can appropriate affordable housing fees generated directly from a 30 Van Ness Residential Project under Sections 416 & 424 of the Planning Code and combine those with any Excess Sales Proceeds. This additional affordability mechanism in the Agreement shall survive closing and provides the City a unique, discretionary opportunity to increase the on-site affordability, at any point prior to construction, within a Residential Project at 30 Van Ness. Approval of this Resolution provides a framework the City could implement in future public to private transactions in order to help achieve greater levels of affordability throughout residential developments in San Francisco.

If you have questions regarding this sale or specifically, how this sale accomplishes the City's goal of reaching 33% on-site affordability, please do not hesitate to contact me.

Respectfully,

John Updike
Director of Property