

LEGISLATIVE DIGEST

[Lease Disposition and Development Agreement and Ground Lease - Regents of the University of California, San Francisco - New Research Building at Zuckerberg San Francisco General Hospital - Initial Base Rent of \$180,000 per Year]

Ordinance approving a Lease Disposition and Development Agreement and 75 year Ground Lease (with option to extend to 99 years) with the Regents of the University of California, San Francisco (“UCSF”) for a new research building at the Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and Trauma Center, with an initial base rent to be paid by UCSF of \$180,000 per year; authorizing the Department of Public Health to accept a \$10,000,000 parking reimbursement contribution upon delivery of the ground lease to UCSF; making findings under the California Environmental Quality Act, findings of conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b); waiving certain provisions of the Administrative Code and Environment Code; and ratifying certain actions taken in connection therewith, as defined herein.

Background Information

The City’s Department of Public Health (“DPH”) and the University of California at San Francisco (“UCSF”) have a long standing affiliation through which UCSF provides physicians and other professional services at the Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and Trauma Center (“ZSFG”). DPH and UCSF prepared a non-binding term sheet for the terms on which UCSF would construct a new research facility (the “Research Facility”) on an existing parking lot (B/C) at the ZSFG campus. The Health Commission endorsed the term sheet on May 5, 2015 (Resolution No. 15-7) and the Board of Supervisors approved it on July 21, 2015 (Resolution 289-15). The parties negotiated a lease disposition and development agreement (“LDDA”) and a long-term ground lease consistent with the term sheet, and are now seeking approvals for these agreements. UCSF currently occupies approximately 85,000 square feet of exchange space at the ZSFG campus for faculty research purposes, for which DPH charges no rent but receives various services and benefits under an existing affiliation agreement with UCSF. Under the LDDA and ground lease, UCSF would develop and operate the new Research Facility so that UCSF can consolidate these existing operations and move staff from older buildings at the ZSFG campus.

Approval of Transaction Documents

This ordinance approves the LDDA and ground lease. The LDDA sets forth the conditions on which the City and UCSF will enter into the ground lease and UCSF will construct the Research Facility on the site at no cost to the City. The ground lease sets for the terms on which UCSF will lease the site for a period of 75 years, with an option to extend the term for

an additional 24 years. The initial ground lease base rent is \$180,000 per year, with annual adjustments. If the affiliation between UCSF and DPH ends, the base rent will increase to reflect the elimination of the free 85,000 square feet of space that DPH provides to UCSF under the affiliation agreement. UCSF will make a one-time upfront \$10,000,000 payment to DPH, which the parties agree is the approximate cost of replacing the 130 parking spaces lost by UCSF's development of the Research Facility.

Amendments to Current Law

There are no changes to current law. California Constitution generally exempts UCSF from compliance with local land use regulations. Accordingly, UCSF is not required to obtain regulatory permits, including building permits, from the City for the Research Facility. But UCSF agrees to limits on permitted uses and to design review for the Research Facility, and to follow the City's permit requirements for the ZSFG campus site improvements (i.e., certain improvements to be made outside the leased premises).

UCSF agrees to pay prevailing wages for all construction at the site. The City waives the local hire requirements of Administrative Code Sections 6.22(g) or 23.62, but UCSF agrees to construction hiring goals of 30% of total construction hours to be performed by qualified San Francisco residents. As UCSF will follow its own contracting requirements and procedures, the LDDA and ground lease do not require compliance with (1) Environment Code Sections 700 to 713, the Green Building Ordinance, (2) Environment Code Chapter 16, the Food Service Waste Reduction Ordinance, (3) Administrative Code Chapter 12T, the Criminal History in Hiring and Employment Decisions Ordinance, and (4) Administrative Code Chapter 12B and 12C, the Nondiscrimination and Equal Benefits Ordinance. The Board of Supervisors waives the above ordinances, as applicable.

n:\spec\as2017\1300181\01161932.docx