

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

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

15 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
16 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
17 Deletions to Codes are in *strikethrough italics Times New Roman font*.  
18 **Board amendment additions** are in double-underlined Arial font.  
19 **Board amendment deletions** are in ~~strikethrough Arial font~~.  
20 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
21 subsections or parts of tables.

22 Be it ordained by the People of the City and County of San Francisco:

23 Section 1. Project Findings. The Board of Supervisors makes the following findings:

24 (a) The Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and  
25 Trauma Center (“ZSFG”) is one of the nation’s leading public hospitals and has continuously

1 provided a wide range of ambulatory, emergency, acute care, and trauma services to  
2 San Francisco residents for more than one hundred years.

3 (b) The City's Department of Public Health ("DPH") and the Regents of the University  
4 of California (the "Regents" or "UCSF") have a long standing affiliation through which UCSF  
5 provides physicians and other professional services at ZSFG, making the hospital one of the  
6 nation's leading academic medical centers with a top training program for residents and  
7 medical students.

8 (c) ZSFG is home to more than 20 UCSF research centers and major laboratories, and  
9 over 150 principal UCSF investigators conduct research at the ZSFG campus.

10 (d) The co-location of patient care, teaching, and research activities is critical to the  
11 ability to recruit and retain the physician leaders who treat patients at ZSFG.

12 (e) In February 2013, the Mayor and City Administrator established a working task  
13 force co-chaired by the San Francisco Public Health Director and the UCSF Chancellor to  
14 explore the proposal that UCSF construct a modern academic research building at ZSFG on  
15 what is currently a ZSFG surface parking lot (the "Research Facility"), which would allow  
16 UCSF to consolidate existing campus research centers and laboratories at ZSFG.

17 (f) DPH and the Regents prepared a non-binding term sheet for the Research Facility  
18 (the "Term Sheet"), which the Health Commission endorsed on May 5, 2015 (Resolution  
19 No. 15-7) and the Board of Supervisors approved on July 21, 2015 (Resolution 289-15).

20 (g) Consistent with the Term Sheet, the parties have negotiated a lease disposition  
21 and development agreement and a long-term ground lease (collectively, the "Transaction  
22 Documents"), copies of which are on file with the Clerk of the Board of Supervisors under File  
23 No. 161345. The lease disposition and development agreement sets the conditions that must  
24 be satisfied before the parties execute and deliver the long-term ground lease, and  
25 establishes the conditions and requirements for the Regents' construction of the Research

1 Facility on a portion of the ZSFG campus presently used as a surface parking lot. Under the  
2 Transaction Documents, the Regents would develop and operate the Research Facility so  
3 that UCSF can consolidate existing ZSFG campus research centers and laboratories in one  
4 location, and move staff from older buildings at the ZSFG campus. In connection with the  
5 construction of the Research Facility, the Regents will perform certain other improvements  
6 that will benefit the ZSFG campus and its users, including a campus street adjacent to  
7 Building 5 on the north side of the Research Facility with circulation space, landscaping, a  
8 one-way eastbound driveway, surface parking spaces that will be incorporated into the  
9 hospital's parking program, relocation of an historic fountain from the site, and landscaping  
10 and public sidewalks around the perimeter of the Research Facility, all as more particularly  
11 described in the Transaction Documents.

12 (h) Under the ground lease, the Regents will lease the site for a period of 75 years,  
13 with an option to extend the term for an additional 24 years. The initial base rent is \$180,000  
14 per year, payable monthly, with annual adjustments as described in the ground lease.

15 (i) In accordance with the affiliation agreement between UCSF and DPH dated  
16 August 1, 1994 (the "Affiliation Agreement"), UCSF occupies approximately 85,000 square  
17 feet of space on the ZSFG campus for faculty research purposes, for which City charges no  
18 rent but receives various services and benefits (the "Exchange Space"). All of UCSF's  
19 operations presently conducted in the Exchange Space will be moved from existing buildings  
20 into the Research Facility, and City will no longer provide rent-free research space to UCSF at  
21 the ZSFG campus. The parties agree that the Exchange Space is worth \$765,000 as of the  
22 ground lease base year. If the Affiliation Agreement terminates for any reason, UCSF will be  
23 required to pay increased base rent to reflect the termination of this offset, as set forth in the  
24 ground lease.

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1 (j) Under the Transaction Documents, UCSF will make an upfront contribution to DPH  
2 of \$10,000,000, which the parties agreed is the approximate cost of replacing the parking  
3 spaces lost by development of the Research Facility. Before the start of the ground lease, the  
4 parties agreed to develop a parking relief plan that incorporates temporary parking  
5 opportunities and strategies during the course of construction through the date replacement  
6 parking is secured for the ZSFG campus, whether through expansion of the parking garage  
7 serving the ZSFG campus or other through other means.

8 (k) The Regents estimates that development of the Research Facility will create  
9 approximately 250 construction jobs.

10 Section 2. CEQA Findings.

11 (a) On November 16, 2016, the Regents as lead agency under the California  
12 Environmental Quality Act (“CEQA”), California Public Resources Code Sections 21000  
13 et seq., and the California Code of Regulations Sections 15000 et seq. (“CEQA Guidelines”),  
14 certified the Research Building at ZSFG and the City Parking Garage Expansion Final  
15 Environmental Impact Report (“Final EIR”), and adopted CEQA findings in connection with the  
16 approval of the Ground Lease and Lease Disposition and Development Agreement for the  
17 new Research Facility, including the adoption of mitigation measures, a mitigation monitoring  
18 and reporting program, and a statement of overriding considerations related to significant and  
19 unavoidable transportation impacts, copies of which are on file with the Clerk of the Board of  
20 Supervisors under File No. 161345.

21 (b) The City is a responsible agency as defined by CEQA Guidelines Section 15381  
22 and DPH through the Planning Department has complied with the requirements for a  
23 responsible agency under CEQA Guidelines Section 15096.

24 (c) The Final EIR has been made available for review by the City and the public and is  
25 on file with Diane Wong, Principal Planner/Environmental Coordinator, UCSF Campus

1 Planning, 654 Minnesota Street, San Francisco, California 94143-0286, as the custodian of  
2 records. Copies of the Final EIR are also available for review at the San Francisco Public  
3 Library (Main Library, Mission branch, Potrero Hill branch, Bernal Heights branch, and Mission  
4 Bay branch).

5 (d) On December 6, 2016, at a duly noticed public hearing, the City's Health  
6 Commission reviewed and considered the Final EIR and the record as a whole, found the  
7 Final EIR adequate for its use as a decision-making body, and adopted specific CEQA  
8 findings in Attachment A, including Exhibit 1, a mitigation monitoring and reporting program,  
9 and a statement of overriding considerations related to significant and unavoidable  
10 transportation impacts, a copy of which is on file with the Clerk of the Board of Supervisors  
11 under File No. 161290 (the "CEQA Findings"), to support its recommendation to the Board of  
12 Supervisors that it approve the Transaction Documents.

13 (e) The Board of Supervisors has reviewed and considered the Final EIR, the CEQA  
14 Findings and related documents, including Health Commission Resolution No. 16-12, and the  
15 record as a whole, finds the Final EIR adequate for its use as the decision-making body for  
16 approval of the Transaction Documents under CEQA, and adopts and incorporates by  
17 reference herein the CEQA Findings, including the statement of overriding considerations and  
18 the mitigation monitoring and reporting program. The Board of Supervisors finds that the  
19 approval of the Transaction Documents for the Research Facility is within the scope of the  
20 project analyzed in the Final EIR.

21 (f) The Board of Supervisors finds that since the City's Health Commission adopted  
22 the CEQA Findings, there have been no substantial project changes and no substantial  
23 changes in project circumstances that would require major revisions to the Final EIR due to  
24 the involvement of the new significant environmental effects or an increase in the severity of  
25

1 previously identified significant impacts, and there is no new information of substantial  
2 importance that would change the conclusions set forth in the Final EIR.

3 (g) The Board of Supervisors has not identified any feasible alternative or additional  
4 feasible mitigation measures within its powers beyond those identified in the Final EIR that  
5 would substantially lessen or avoid any significant effect the project would have on the  
6 environmental.

7 Section 3. General Plan and Planning Code Section 101.1(b) Findings.

8 (a) The Board of Supervisors finds that the Research Facility will serve the public  
9 necessity, convenience, and general welfare for the reasons set forth in Health Commission  
10 Resolution No. 16-12 and incorporates those reasons herein by reference.

11 (b) The Board of Supervisors finds that the Transaction Documents are in conformity  
12 with the General Plan and the eight priority policies of Planning Code Section 101.1 for the  
13 reasons set forth in the Planning Department letter, a copy of which is on file with the Clerk of  
14 the Board of Supervisors under File No. 161345. The Board hereby adopts these Planning  
15 Department findings and incorporates them by this reference.

16 Section 4. Transaction Documents.

17 (a) The Board of Supervisors approves the terms and conditions of the Transaction  
18 Documents in substantially the form on file with the Clerk of the Board of Supervisors in File  
19 No. 161345.

20 (b) The Board of Supervisors approves and authorizes the execution, delivery and  
21 performance by the City of the Transaction Documents, and the Director of Public Health,  
22 following consultation with the Director of Real Property and the City Attorney, is authorized to  
23 take all actions reasonably necessary or prudent to perform the City's obligations under the  
24 Transaction Documents and to enter into any additions, amendments or other modifications to  
25 the Transaction Documents that the Director of Public Health determines are in the best

1 interests of the City and that do not materially increase the obligations or liabilities of the City  
2 or materially decrease the benefits to the City as provided in the Transaction Documents. As  
3 part of the Transaction Documents, the Regents agree to maintain at its Mission Bay Campus  
4 or otherwise off-site, for the duration of the ground lease, at least 130 parking spaces for staff  
5 working at the New Research Building.

6 Section 5. California Sovereignty and City Contracting Requirements.

7 (a) The California Constitution generally exempts the Regents from compliance with  
8 local planning, zoning, redevelopment, and land use regulations (collectively, “Local  
9 Regulations”). Accordingly, in constructing the Research Facility on the Premises, the  
10 Regents is not required to obtain any regulatory permits from the City, including building  
11 permits. Notwithstanding the foregoing, the Regents agree to the limitations on permitted  
12 uses of the site and the initial construction and subsequent construction provisions as  
13 expressly set forth in the ground lease, including design review requirements for the Research  
14 Facility and permitting requirements for ZSFG campus improvements.

15 (b) The Regents agree to pay prevailing wages for all construction, as set forth in the  
16 Transaction Documents. The Transaction Documents do not impose on the Regents the local  
17 hire requirements of Administrative Code Sections 6.22(g) or 23.62. But the Regents agree to  
18 construction hiring goals of 30% of total construction hours to be performed by qualified San  
19 Francisco residents, as set forth in the Transaction Documents. The Board of Supervisors  
20 waives Administrative Code Sections 6.22(g) and 23.63 to the extent they conflict with the  
21 Transaction Documents.

22 (c) As the Regents will follow its own contracting requirements and procedures, the  
23 Transaction Documents do not require compliance with (1) Environment Code Sections 700 to  
24 713, the Green Building Ordinance, (2) Environment Code Chapter 16, the Food Service  
25 Waste Reduction Ordinance, (3) Administrative Code Chapter 12T, the Criminal History in

1 Hiring and Employment Decisions Ordinance, and (4) Administrative Code Chapter 12B and  
2 12C, the Nondiscrimination and Equal Benefits Ordinance. The Board of Supervisors waives  
3 the above ordinances as applied to the Transaction Documents.

4 Section 6. Board Authorization and Appropriation; Operative Date.

5 (a) By approving the Transaction Documents, the Board of Supervisors authorizes the  
6 Controller and DPH to accept the funds paid by the Regents and to appropriate and use the  
7 funds for DPH purposes. In particular, the Board authorizes DPH to accept the \$10,000,000  
8 parking reimbursement contribution upon delivery of the ground lease to UCSF.

9 (b) This ordinance shall become effective 30 days after enactment. Enactment occurs  
10 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not  
11 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the  
12 Mayor’s veto of the ordinance.

13  
14 APPROVED AS TO FORM:  
15 DENNIS J. HERRERA, City Attorney

16  
17 By: \_\_\_\_\_  
18 CHARLES SULLIVAN  
19 Deputy City Attorney

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