

1 [Joint Development of Property Located at Mission and Steuart Streets]
 2 APPROVING AND AUTHORIZING THE MUNICIPAL TRANSPORTATION AGENCY TO
 3 ENTER INTO A LEASE DISPOSITION AND DEVELOPMENT AGREEMENT AND LONG
 4 TERM GROUND LEASE WITH MISSION & STEUART HOTEL PARTNERS, LLC, FOR THE
 5 DEVELOPMENT OF A HOTEL AND ASSOCIATED USES ON CERTAIN REAL PROPERTY
 6 LOCATED AT STEUART AND MISSION STREETS; ENDORSING THE PLANNING
 7 COMMISSION’S CERTIFICATION OF THE FINAL ENVIRONMENTAL IMPACT REPORT
 8 FOR THE PROJECT; ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE
 9 CALIFORNIA ENVIRONMENTAL QUALITY ACT; AND ADOPTING FINDINGS THAT THE
 10 PROJECT IS CONSISTENT WITH THE CITY’S GENERAL PLAN AND EIGHT PRIORITY
 11 POLICIES OF CITY PLANNING CODE SECTION 101.1.

12 WHEREAS, In 1996, in response to a Civil Grand Jury Report urging the San
 13 Francisco Municipal Railway ("Muni") to identify new revenue sources, the San Francisco
 14 Public Transportation Commission ("PTC"), the predecessor in interest to the Municipal
 15 Transportation Agency (the "Agency"), commissioned a Municipal Railway Assets
 16 Development Study (the "Report") which examined the potential for Muni to increase revenues
 17 by more efficiently using its real property assets through the commercial joint development of
 18 select properties; and

19 WHEREAS, Among the properties examined in the Report was the Mission & Steuart
 20 layover yard located at the northeast corner of Mission and Steuart Streets (the "Site"), the
 21 development potential of which had increased significantly with the removal of the
 22 Embarcadero freeway; and

23 WHEREAS, The Report recommended that the Site be developed as a boutique hotel
 24 because development of a hotel under a long-term ground lease was deemed to have the
 25

1 best revenue generating potential for Muni and because a hotel would be a compatible use
2 with the surrounding neighborhood; and,

3 WHEREAS, On August 29, 1997, Muni, with the approval of the PTC, issued a
4 Request for Qualifications ("RFQ") and a Request for Proposals ("RFP") to select a private
5 development team to accomplish the commercial development of a hotel and related facilities
6 on the Site (the "Project"); and,

7 WHEREAS, Based on the recommendations of a selection committee established by
8 Muni, the PTC authorized staff to commence exclusive negotiations with Mission & Steuart
9 Hotel Partners, LLC ("Developer") to implement the Project; and

10 WHEREAS, Developer is a joint venture comprised of Joy of Life Club III, LLC, a
11 California limited liability company (and an affiliate of Joie de Vivre Hotels, Inc., a California
12 corporation ("Joie de Vivre")), and EGB II, LLC, a California limited liability company (and an
13 affiliate of Emerald Fund Inc., a California corporation); and,

14 WHEREAS, The proposed Project will consist of an approximately 200-210 room hotel
15 built within the existing 84-foot height limit for the Site, which hotel will taper from eight floors
16 on its Mission Street frontage to four floors on its north side in order to avoid shadowing of the
17 nearby open space, will integrate the adjacent Muni F-Line historic street car stop and provide
18 shelter for passengers, and will include one men's bathroom and one women's bathroom
19 exclusively for Muni operators/employees; and,

20 WHEREAS, A portion of the Site, consisting of approximately 8,800 square feet of
21 unimproved space and running generally along the Embarcadero, is under the jurisdiction of
22 the Port of San Francisco (the "Port"), and is included as part of the leased premises under
23 the DDA and Lease for use as landscaped open space and outdoor seating for a
24 restaurant/café associated with the Project pursuant to the terms and conditions of a
25 Memorandum of Understanding (the "MOU") between Muni and the Port; and,

1 WHEREAS, In order to implement the Project, Muni and the Developer negotiated a
2 Lease Disposition and Development Agreement (the "DDA") and long-term ground lease (the
3 "Lease") between the City and the Developer, in substantially the forms of the DDA and Lease
4 filed with the Clerk of the Board of Supervisors in File No. 001106; and,

5 WHEREAS, Pursuant to the DDA, among other things, (i) the Developer is required to
6 100% privately finance the construction of the Project, (ii) the Site is delivered "as-is", without
7 representation or warranty by Muni, except that Muni is required to remove its overhead wires
8 and other property from the Site, and (iii) Developer pays Muni a "holding fee" of \$1,500,000
9 (which, if project fails to proceed for any reason other than a Muni default, the Developer is
10 still required to pay to Muni as a "termination fee"); and,

11 WHEREAS, The term of the Lease is 51 years, with one 14-year option to extend, with
12 ownership of the hotel reverting to Muni at the end of the Lease term; and,

13 WHEREAS, Under the Lease, the Developer is required to, among other things, (i)
14 operate the Project as a superior "boutique" hotel, (ii) pay all costs of operating, maintaining
15 and repairing the hotel at the Site, and (iii) pay Muni Base and Percentage Rent estimated to
16 average approximately \$4,790,000 per year over the life of the Lease; and,

17 WHEREAS, The Lease includes a limited indemnification by the City in connection with
18 Muni's use of: (i) the restroom facilities at the Site, (ii) telecommunications facilities on the
19 roof of the hotel, and (iii) a Muni access easement at the Site, and the Lease contains
20 commercially standard arbitration provisions for the prompt resolution of disputes regarding
21 the operating agreement, the estimated costs of restoration, and certain issues relating to the
22 assignment of the Lease; and,

23 WHEREAS, The Planning Department has undertaken an environmental review
24 process for the proposed Project and provided for appropriate public hearings before the San
25 Francisco Planning Commission; and,

1 WHEREAS, On August 21, 1999, the Planning Department released for public review
2 and comment the Draft Environmental Impact Report for the Project, File No.98.604E
3 (“DEIR”), and on or about December 16, 1999, the Planning Commission held a public
4 hearing on the DEIR and further written comments were received thereafter; and,

5 WHEREAS, The Planning Department prepared a Final Environmental Impact Report
6 (“FEIR”) for the Project, consisting of the DEIR, the comments received during the review
7 period, any additional information that became available, and the Draft Summary of
8 Comments and Responses, all as required by law; and,

9 WHEREAS, On June 1, 2000, the Planning Commission reviewed and considered the
10 FEIR and found that the contents of said report and the procedures through which the FEIR
11 was prepared, publicized and reviewed complied with the provisions of the California
12 Environmental Quality Act (“CEQA”), the CEQA Guidelines, and Chapter 31 of the San
13 Francisco Administrative Code; and,

14 WHEREAS, On June 1, 2000, the Planning Commission found that the FEIR was
15 adequate, accurate and objective, reflected the independent analysis and judgment of the
16 Department and the Commission, and that the summary of comments and responses
17 contained no significant revisions to the DEIR, and certified the completion of the FEIR for the
18 Project in compliance with CEQA and the CEQA Guidelines; and

19 WHEREAS, on June 1, 2000, the Planning Commission adopted findings concerning
20 the environmental impacts of the Project, a statement of overriding considerations, and a
21 mitigation monitoring program, pursuant to CEQA and the CEQA Guidelines, which findings
22 are on file with the Clerk of the Board of Supervisors under File No. 001106, and
23 which findings are incorporated herein by this reference; and

1 WHEREAS, The FEIR files and other Project-related Department files have been made
2 available for review by the Board of Supervisors and the public, and those files are part of the
3 record before this Board of Supervisors; and

4 WHEREAS, This Board of Supervisors has reviewed and considered the information
5 contained in the FEIR; and

6 WHEREAS, The Planning Commission found on June 1, 2000, that the Project as
7 contemplated by the DDA and the Lease is consistent with the City's General Plan, and with
8 the Eight Priority Policies of City Planning Code Section 101.1, which motion is on file with the
9 Clerk of the Board of Supervisors under File No. 001106; now, therefore, be it

10 RESOLVED, That the Board of Supervisors has reviewed and considered the Planning
11 Commission Motion certifying the FEIR, and hereby endorses and adopts such Planning
12 Commission Motion, and incorporates the same herein by reference; and be it

13 FURTHER RESOLVED, That pursuant to California Public Resources Code § 21166
14 and CEQA Guidelines 15162, and based upon the Board of Supervisor's review of the FEIR,
15 the Board finds that: (1) there are no substantial modifications in the Project that would require
16 important revisions to the FEIR due to the involvement of new significant environmental
17 effects or a substantial increase in the severity of previously identified significant effects;
18 (2) no substantial changes have occurred with respect to the circumstances under which the
19 Project is to be undertaken which would require major revisions to the FEIR due to the
20 involvement of significant effects or a substantial increase in the severity of effects identified in
21 the FEIR; and (3) no new information of substantial importance to the Project has become
22 available which would indicate (a) the Project or the actions will have significant effects not
23 discussed in the FEIR, (b) significant environmental effects would be substantially more
24 severe, (c) mitigation measures or alternatives found not feasible which would reduce one or
25 more significant effects have become feasible, or (d) mitigation measures or alternatives

1 which are considerably different from those in the FEIR would substantially reduce one or
2 more significant effects on the environment; and be it

3 FURTHER RESOLVED, That the Board of Supervisors hereby finds that the Project,
4 as contemplated by the DDA and the Lease is consistent with the General Plan, and with the
5 eight Priority Policies of Planning Code Section 101.1 for the same reasons as set forth in
6 Motion No. 15079 of the Planning Commission, dated June 1, 2000, and hereby incorporates
7 such findings by reference as though fully set forth in this resolution; and, be it

8 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
9 authorizes the Agency, through its Director, to execute the DDA and the Lease; and be it

10 FURTHER RESOLVED, That the Board of Supervisors authorizes the Agency, through
11 its Director, to enter into any additions, amendments or other modifications to the DDA or the
12 Lease (including, without limitation, the attachment of exhibits) that the Director determines
13 are in the best interests of the Agency and the City, do not decrease the revenues to the
14 Agency or the City in connection with the Site, or otherwise materially increase the obligations
15 or liabilities of the Agency or the City, and are necessary or advisable to complete the
16 transactions contemplated in the DDA and the Lease and to effectuate the purpose and intent
17 of this resolution.

18
19 RECOMMENDED:

20
21 

22 Michael Burns
23 Director, San Francisco Municipal Railway
24
25



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails

Resolution

File Number: 001106

Date Passed:

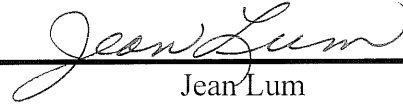
Resolution approving and authorizing the Municipal Transportation Agency to enter into a Lease Disposition and Development Agreement and Long Term Ground Lease with Mission & Steuart Hotel Partners, LLC, for the development of a hotel and associated uses on certain real property located at Steuart and Mission Streets; endorsing the Planning Commission's certification of the Final Environmental Impact Report for the project; adopting environmental findings pursuant to the California Environmental Quality Act; and adopting findings that the project is consistent with the city's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

July 17, 2000 Board of Supervisors — ADOPTED

Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

File No. 001106

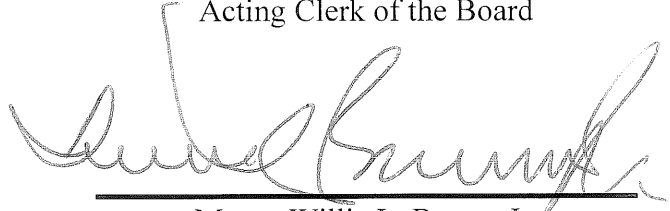
I hereby certify that the foregoing Resolution was ADOPTED on July 17, 2000 by the Board of Supervisors of the City and County of San Francisco.



Jean Lum
Acting Clerk of the Board

JUL 28 2000

Date Approved



Mayor Willie L. Brown Jr.