Resolution endorsing a non-binding term sheet with The Regents of the University of California (the Regents) for the potential lease by the Regents of the B/C Lot of the Priscilla and Mark Zuckerberg San Francisco General Hospital Campus at 1001 Potrero Avenue (a portion of Assessor's Parcel Block No. 4154, Lot No. 001) for development by the Regents of a research facility for an initial lease term of 75 years and initial base rent of $180,000 per annum.

WHEREAS, The Priscilla and Mark Zuckerberg San Francisco General Hospital and Trauma Center ("SFGH"), is one of the nation's leading public hospitals and has continuously provided a wide range of ambulatory, emergency, acute care and trauma services to San Francisco residents for more than one hundred years; and

WHEREAS, The SFGH campus is under the jurisdiction of the City's Department of Public Health ("DPH"); and

WHEREAS, DPH and The Regents of the University of California ("the Regents" or "UCSF") have a long standing affiliation through which UCSF provides physicians and other professional services at SFGH; and

WHEREAS, Through the SFGH-UCSF partnership, physicians who are leaders in their fields have been attracted to UCSF and SFGH and have established SFGH as one of the nation's leading academic medical centers with a top training program for residents and medical students; and

WHEREAS, SFGH is home to more than twenty UCSF research centers and major laboratories, and over 150 principal UCSF investigators conduct research at the SFGH campus; and
WHEREAS, The co-location of patient care, teaching and research activities is critical to the ability to recruit and retain the physician leaders who treat patients at SFGH; and

WHEREAS, In February 2013 the Mayor and City Administrator established a task force co-chaired by the San Francisco Health Director (or designee) and the UCSF Chancellor (or designee) to collaborate on the development and implementation of certain capital projects on the SFGH campus and to explore the proposal that UCSF construct a modern academic research building at SFGH on what is currently approximately 51,475 square feet of the B/C surface parking lot (the "Research Facility"), which would allow UCSF to consolidate existing SFGH campus research centers and laboratories; and

WHEREAS, Since February 2013 staff from the City (DPH, Department of Real Estate, Planning Department and City Attorney's Office) and staff from the Regents have negotiated a number of agreements with respect to the proposed new Research Facility, including a Fee Payment Agreement between DPH and UCSF, dated October 23, 2013, which establishes cost sharing for the negotiation process, and a Memorandum of Understanding between UCSF and the Director of the Planning Department, dated September 23, 2013, which outlines the manner in which the Regents and the Planning Department will cooperate to perform the environmental review for the proposed Research Facility; and

WHEREAS, The Director of Property, in consultation and collaboration with the Office of the City Attorney and DPH staff, negotiated a non-binding term sheet (the "Term Sheet"), a copy of which is on file with the Clerk of the Board of Supervisors under File No. 150652, that sets forth certain basic economic parameters and other fundamental terms to serve as the basis for City staff and UCSF staff negotiating a ground lease between the City and the Regents of that portion of the SFGH campus known as the B/C Lot for the development, ownership and operation of the proposed Research Facility (the "Ground Lease"), and provides that the parties will negotiate in good faith with a goal of completing negotiations on
the Ground Lease and related agreements by June 30, 2016; and

WHEREAS, Under the Term Sheet, the City and UCSF agree to negotiate in good faith for the Ground Lease on the terms set forth in the Term Sheet; and

WHEREAS, The Term Sheet is not itself a binding agreement that commits the City or the Regents to proceed with the approval of the Ground Lease or the Research Facility (collectively, the “Project”), and all Project approvals by the City and the Regents, including approvals for the Research Facility and the Ground Lease, are subject to completion of environmental review, including identification of a full range of appropriate alternatives and mitigation measures under the California Environmental Quality Act (“CEQA”) and will be subject to public review in accordance with the processes of the City and Regents; and

WHEREAS, The Term Sheet proposes certain terms and conditions for a Ground Lease, including, but not limited to (1) an initial term of 75 years, with an option to extend for an additional 24 years, (2) base rent of $180,000 per annum, (3) annual rental increases of 1.75% with resets to fair market rent in years 21, 46, and 61 capped as noted in the Term Sheet, (4) acknowledgement that the rental rate takes into consideration a credit equal to the fair rental value of 85,000 square feet of research space that DPH agrees to provide to UCSF at no cost in exchange for certain administrative costs incurred by UCSF in providing physicians to SFGH, and (5) certain parking impact financial contributions; and

WHEREAS, On May 5, 2015, by Resolution No. 15-7, a copy of which is on file with the Clerk of the Board of Supervisors under File No. 150652, the San Francisco Health Commission endorsed the Term Sheet and directed DPH staff to seek the endorsement of the Board of Supervisors of the Term Sheet, and upon the receipt of such endorsement to continue negotiations with UCSF staff with a goal of completing negotiations on the Ground Lease and related agreements by June 30, 2016; and

WHEREAS, Staff from the City and the Regents wish to obtain the endorsement of the
Term Sheet by the Board of Supervisors; and

WHEREAS, The Board of Supervisors has reviewed and considered the proposed terms for the Project as set forth in the Term Sheet; now, therefore, be it

RESOLVED, That in accordance with the recommendations of the Director of Property and the Director of Health, the Board endorses the Term Sheet, in substantially the form presented to the Board, and authorizes City staff to continue the negotiation of the Ground Lease consistent with the Term Sheet and such additions, amendments or other modifications to the Term Sheet that the Director of Property and Director of Health determine are in the best interests of the City; and, be it

FURTHER RESOLVED, That if the parties are successful in negotiations, the Director of Property and Director of Health shall seek Health Commission and Board approval of the Ground Lease before it will become effective; and, be it

FURTHER RESOLVED, That the Board of Supervisors' endorsement of the Term Sheet does not commit the City to approve the final Ground Lease or Research Facility, nor does endorsement of the Term Sheet foreclose the possibility of City considering alternatives to the proposal, mitigation measures, or deciding not to approve the Ground Lease after conducting and completing appropriate environmental review under CEQA, and while the Term Sheet identifies certain essential terms of a proposed Ground Lease, it does not bind the City to the terms of the Term Sheet or set forth all of the material terms and conditions of any final transaction documents; and, be it

FURTHER RESOLVED, That the Board of Supervisors will not take any discretionary actions committing City to enter into the Ground Lease, and the provisions of the Term Sheet are not intended to and will not become contractually binding on the City, unless and until (1) the Health Commission, acting as a responsible agency under CEQA, has reviewed and considered the environmental documentation prepared by the Regents in compliance with

Supervisor Cohen
BOARD OF SUPERVISORS
CEQA and adopted appropriate CEQA findings in compliance with CEQA and has approved the terms of the final transaction documents for the Ground Lease; (2) the Board of Supervisors, acting as a responsible agency under CEQA, has reviewed and considered the environmental documentation prepared by the Regents in compliance with CEQA and adopted appropriate CEQA findings in compliance with CEQA; and (3) the Board of Supervisors has considered and approved the terms of the Ground Lease and other transaction documents.

RECOMMENDED:

[Signature]
Director of Property

RECOMMENDED:

[Signature]
Barbara A. Garcia
Director of Health
Resolution endorsing a non-binding term sheet with The Regents of the University of California (the Regents) for the potential lease by the Regents of the B/C Lot of the Priscilla and Mark Zuckerberg San Francisco General Hospital Campus at 1001 Potrero Avenue (a portion of Assessor’s Parcel Block No. 4154, Lot No. 001) for development by the Regents of a research facility for an initial lease term of 75 years and initial base rent of $180,000 per annum.

July 13, 2015 Land Use and Transportation Committee - RECOMMENDED

July 21, 2015 Board of Supervisors - ADOPTED

Ayes: 10 - Avalos, Breed, Christensen, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

Excused: 1 - Campos

I hereby certify that the foregoing Resolution was ADOPTED on 7/21/2015 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor

Date Approved