[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 \$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.

NOTE: Unchanged Code text and uncodified text are in plain Arial font.

Additions to Codes are in single-underline italics Times New Roman font.

Deletions to Codes are in strikethrough italics Times New Roman font.

Board amendment additions are in double-underlined Arial font.

Board amendment deletions are in strikethrough Arial font.

Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

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

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

(a) The Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and Trauma Center ("ZSFG") 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.

- (b) The City's Department of Public Health ("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 ZSFG, making the hospital one of the nation's leading academic medical centers with a top training program for residents and medical students.
- (c) ZSFG is home to more than 20 UCSF research centers and major laboratories, and over 150 principal UCSF investigators conduct research at the ZSFG campus.
- (d) 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 ZSFG.
- (e) In February 2013, the Mayor and City Administrator established a working task force co-chaired by the San Francisco Public Health Director and the UCSF Chancellor to explore the proposal that UCSF construct a modern academic research building at ZSFG on what is currently a ZSFG surface parking lot (the "Research Facility"), which would allow UCSF to consolidate existing campus research centers and laboratories at ZSFG.
- (f) DPH and the Regents prepared a non-binding term sheet for the Research Facility (the "Term Sheet"), which the Health Commission endorsed on May 5, 2015 (Resolution No. 15-7) and the Board of Supervisors approved on July 21, 2015 (Resolution 289-15).
- (g) Consistent with the Term Sheet, the parties have negotiated a lease disposition and development agreement and a long-term ground lease (collectively, the "Transaction Documents"), copies of which are on file with the Clerk of the Board of Supervisors under File No. 161345. The lease disposition and development agreement sets the conditions that must be satisfied before the parties execute and deliver the long-term ground lease, and establishes the conditions and requirements for the Regents' construction of the Research

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

- (h) Under the ground lease, the Regents will lease the site for a period of 75 years, with an option to extend the term for an additional 24 years. The initial base rent is \$180,000 per year, payable monthly, with annual adjustments as described in the ground lease.
- (i) In accordance with the affiliation agreement between UCSF and DPH dated August 1, 1994 (the "Affiliation Agreement"), UCSF occupies approximately 85,000 square feet of space on the ZSFG campus for faculty research purposes, for which City charges no rent but receives various services and benefits (the "Exchange Space"). All of UCSF's operations presently conducted in the Exchange Space will be moved from existing buildings into the Research Facility, and City will no longer provide rent-free research space to UCSF at the ZSFG campus. The parties agree that the Exchange Space is worth \$765,000 as of the ground lease base year. If the Affiliation Agreement terminates for any reason, UCSF will be required to pay increased base rent to reflect the termination of this offset, as set forth in the ground lease.

- (j) Under the Transaction Documents, UCSF will make an upfront contribution to DPH of \$10,000,000, which the parties agreed is the approximate cost of replacing the parking spaces lost by development of the Research Facility. Before the start of the ground lease, the parties agreed to develop a parking relief plan that incorporates temporary parking opportunities and strategies during the course of construction through the date replacement parking is secured for the ZSFG campus, whether through expansion of the parking garage serving the ZSFG campus or other through other means.
- (k) The Regents estimates that development of the Research Facility will create approximately 250 construction jobs.

Section 2. CEQA Findings.

- (a) On November 16, 2016, the Regents as lead agency under the California Environmental Quality Act ("CEQA"), California Public Resources Code Sections 21000 et seq., and the California Code of Regulations Sections 15000 et seq. ("CEQA Guidelines"), certified the Research Building at ZSFG and the City Parking Garage Expansion Final Environmental Impact Report ("Final EIR"), and adopted CEQA findings in connection with the approval of the Ground Lease and Lease Disposition and Development Agreement for the new Research Facility, including the adoption of mitigation measures, a mitigation monitoring and reporting program, and a statement of overriding considerations related to significant and unavoidable transportation impacts, copies of which are on file with the Clerk of the Board of Supervisors under File No. 161345.
- (b) The City is a responsible agency as defined by CEQA Guidelines Section 15381 and DPH through the Planning Department has complied with the requirements for a responsible agency under CEQA Guidelines Section 15096.
- (c) The Final EIR has been made available for review by the City and the public and is on file with Diane Wong, Principal Planner/Environmental Coordinator, UCSF Campus

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

- (d) On December 6, 2016, at a duly noticed public hearing, the City's Health Commission reviewed and considered the Final EIR and the record as a whole, found the Final EIR adequate for its use as a decision-making body, and adopted specific CEQA findings in Attachment A, including Exhibit 1, a mitigation monitoring and reporting program, and a statement of overriding considerations related to significant and unavoidable transportation impacts, a copy of which is on file with the Clerk of the Board of Supervisors under File No. 161290 (the "CEQA Findings"), to support its recommendation to the Board of Supervisors that it approve the Transaction Documents.
- (e) The Board of Supervisors has reviewed and considered the Final EIR, the CEQA Findings and related documents, including Health Commission Resolution No. 16-12, and the record as a whole, finds the Final EIR adequate for its use as the decision-making body for approval of the Transaction Documents under CEQA, and adopts and incorporates by reference herein the CEQA Findings, including the statement of overriding considerations and the mitigation monitoring and reporting program. The Board of Supervisors finds that the approval of the Transaction Documents for the Research Facility is within the scope of the project analyzed in the Final EIR.
- (f) The Board of Supervisors finds that since the City's Health Commission adopted the CEQA Findings, there have been no substantial project changes and no substantial changes in project circumstances that would require major revisions to the Final EIR due to the involvement of the new significant environmental effects or an increase in the severity of

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

- (g) The Board of Supervisors has not identified any feasible alternative or additional feasible mitigation measures within its powers beyond those identified in the Final EIR that would substantially lessen or avoid any significant effect the project would have on the environmental.
 - Section 3. General Plan and Planning Code Section 101.1(b) Findings.
- (a) The Board of Supervisors finds that the Research Facility will serve the public necessity, convenience, and general welfare for the reasons set forth in Health Commission Resolution No. 16-12 and incorporates those reasons herein by reference.
- (b) The Board of Supervisors finds that the Transaction Documents are in conformity with the General Plan and the eight priority policies of Planning Code Section 101.1 for the reasons set forth in the Planning Department letter, a copy of which is on file with the Clerk of the Board of Supervisors under File No. 161345. The Board hereby adopts these Planning Department findings and incorporates them by this reference.
 - Section 4. Transaction Documents.
- (a) The Board of Supervisors approves the terms and conditions of the Transaction Documents in substantially the form on file with the Clerk of the Board of Supervisors in File No. 161345.
- (b) The Board of Supervisors approves and authorizes the execution, delivery and performance by the City of the Transaction Documents, and the Director of Public Health, following consultation with the Director of Real Property and the City Attorney, is authorized to take all actions reasonably necessary or prudent to perform the City's obligations under the Transaction Documents and to enter into any additions, amendments or other modifications to the Transaction Documents that the Director of Public Health determines are in the best

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

Section 5. California Sovereignty and City Contracting Requirements.

- (a) The California Constitution generally exempts the Regents from compliance with local planning, zoning, redevelopment, and land use regulations (collectively, "Local Regulations"). Accordingly, in constructing the Research Facility on the Premises, the Regents is not required to obtain any regulatory permits from the City, including building permits. Notwithstanding the foregoing, the Regents agree to the limitations on permitted uses of the site and the initial construction and subsequent construction provisions as expressly set forth in the ground lease, including design review requirements for the Research Facility and permitting requirements for ZSFG campus improvements.
- (b) The Regents agree to pay prevailing wages for all construction, as set forth in the Transaction Documents. The Transaction Documents do not impose on the Regents the local hire requirements of Administrative Code Sections 6.22(g) or 23.62. But the Regents agree to construction hiring goals of 30% of total construction hours to be performed by qualified San Francisco residents, as set forth in the Transaction Documents. The Board of Supervisors waives Administrative Code Sections 6.22(g) and 23.63 to the extent they conflict with the Transaction Documents.
- (c) As the Regents will follow its own contracting requirements and procedures, the Transaction Documents 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 applied to the Transaction Documents.

Section 6. Board Authorization and Appropriation; Operative Date.

- (a) By approving the Transaction Documents, the Board of Supervisors authorizes the Controller and DPH to accept the funds paid by the Regents and to appropriate and use the funds for DPH purposes. In particular, the Board authorizes DPH to accept the \$10,000,000 parking reimbursement contribution upon delivery of the ground lease to UCSF.
- (b) This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By:

CHARLES SULLIVAN Deputy City Attorney

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City and County of San Francisco Tails

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

Ordinance

File Number: 161345 Date Passed: February 07, 2017

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.

January 25, 2017 Budget and Finance Committee - REFERRED WITHOUT RECOMMENDATION

January 31, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

January 31, 2017 Board of Supervisors - PASSED ON FIRST READING AS AMENDED Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy,

Tang and Yee

February 07, 2017 Board of Supervisors - FINALLY PASSED

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 2/7/2017 by the Board of Supervisors of the City and County of San Francisco.

> Angela Calvillo Clerk of the Board

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Date Approved