Resolution approving a Conditional Land Disposition and Acquisition Agreement with 2000 Marin Property, L.P. for the City’s future transfer of real property at 639 Bryant Street (Assessor’s Parcel Block No. 3777, Lot No. 052) under the jurisdiction of the San Francisco Public Utilities Commission (SFPUC) in exchange for real property at 2000 Marin Street (Assessor’s Parcel Block No. 4346, Lot No. 002), subject to several conditions, including the reimbursement of certain SFPUC costs; finding that the Agreement is a conditional land acquisition agreement under California Environmental Quality Act Guidelines, Section 15004(b)(2)(A), and City’s discretionary approval after the completion of environmental review.

WHEREAS, The City and County of San Francisco, under the jurisdiction of the San Francisco Public Utilities Commission (“SFPUC”), owns certain real property known as 639 Bryant Street, Assessor’s Parcel Block No. 3777, Lot No. 052 (the “City Property”), an approximately 1.37 acre parcel improved with a warehouse and parking lot, that is used for heavy equipment and materials storage, parking, construction staging, and other related purposes; and

WHEREAS, The SFPUC leases adjacent property at 651 Bryant Street, Assessor’s Parcel Block No. 3777, Lot No. 050 (the “City Leased Premises”), for related office and warehouse purposes under a lease that expires in October 2019, but with a right to extend the lease for 10 years; and

WHEREAS, 2000 Marin Property, L.P., a Delaware limited partnership (“Developer”), owns certain real property known as 2000 Marin Street, Assessor’s Parcel Block No. 4346,
Lot No. 002 ("2000 Marin"), an approximately 7.98-acre parcel with a 74,000 square-foot building built in 1989; and

WHEREAS, Developer proposes to acquire the City Property in exchange for 2000 Marin, and seeks to develop a mixed-use project on the City Property, the City Leased Premises, and other adjacent parcels with approximately 923,000 square feet of office, 73,000 square feet of residential/PDR, 80,000 square feet of residential, and a 40,000 square-foot public plaza (the "Development Project"); and

WHEREAS, On April 17, 2018, the Board of Supervisors adopted Resolution No. 115-18 (File No. 180370) supporting negotiations for a potential exchange of the City Property for 2000 Marin, subject to City analysis and approvals following any required environmental review; and

WHEREAS, In 2011, the San Francisco Planning Department began a multi-year public and cooperative interagency planning process for the Central SOMA Plan (Planning Department Case No. 2011.1356EMTZU); and

WHEREAS, The Central SOMA Plan was recommended for approval by the Planning Commission on May 10, 2018 and requires approval by the Board of Supervisors to become effective; and

WHEREAS, Developer and the City have negotiated a Conditional Land Disposition and Acquisition Agreement, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 180550 (the "Agreement"), which, upon the satisfaction of certain conditions, provides for (a) the exchange of the City Property for 2000 Marin; (b) the SFPUC's obligation to reimburse Developer for the costs of new temporary utility yard facilities ("Temporary SFPUC Facility") to be constructed by Developer for the SFPUC on a portion of 2000 Marin from a proposed short-term lease to Kilroy Realty Corporation, a Maryland corporation, or one of its affiliates (collectively, "Kilroy") of the remaining portion of 2000 Marin...
or from an alternative revenue source; and (c) Developer's obligations (the "Additional
Developer Consideration") to (i) relocate the SFPUC's personal property, at the Developer's
cost, from the City Property and the City Leased Premises to 2000 Marin; (ii) relocate a
SFPUC hydrogen peroxide tank from the City Property to a nearby location, at the
Developer's cost; (iii) construct or place the new "Temporary SFPUC Facility" for the SFPUC
on a portion of 2000 Marin; and (iv) pay the SFPUC for certain transactional costs the SFPUC
has incurred in connection with the proposed property exchange; and

WHEREAS, The Agreement provides that Developer's proposed lease to Kilroy of a
portion of 2000 Marin is subject to approval by the SFPUC Commission; and

WHEREAS, The SFPUC intends that any such lease of 2000 Marin will be short-term
because the SFPUC intends to occupy and use the entirety of the 2000 Marin in the long term
for utility yard purposes; and

WHEREAS, The Agreement does not require the City to approve the Central SOMA
Plan or any proposed development, including any development of the City Property or 2000
Marin; and

WHEREAS, The City has not yet completed environmental review under the California
Environmental Quality Act ("CEQA") (California Public Resources Code, Sections 21000 et
seq.) for the Central SOMA Plan, but the environmental review that is being performed will
include analysis of potential uses of and development controls applicable to the City Property
and adjoining parcels; and

WHEREAS, The City's obligation to complete the property exchange is conditioned on,
among other things, the City's approval of the property exchange at its sole discretion
following the completion of all required environmental review; and

WHEREAS, 2000 Marin has soil contamination stemming from former uses that is
subject to regulation by the State of California Department of Toxic Substance Control; and
WHEREAS, Assessment of the environmental remediation costs that the SFPUC would incur regarding the SFPUC's future development and use of 2000 Marin is a condition of closing of the property exchange; and

WHEREAS, Developer's obligation to complete the property exchange is conditioned on, among other things, the receipt of all governmental approvals necessary for Developer to proceed with the Developer Project, including zoning changes, and the City's waiver or reduction of certain development impact fees in exchange for Developer's dedication of a public plaza to the City as part of the Developer Project; and

WHEREAS, The City will review and consider each of the environmental review documents that relate respectively to the Central SOMA Plan, the Developer Project, and the City's plan to develop and use 2000 Marin (individually, a "Project" and collectively, the "Projects") before deciding whether to approve each Project, including any associated rezoning, Municipal Code or General Plan amendments or waivers, and design, demolition, and building permits; and

WHEREAS, The City retains absolute discretion to: (a) require modifications in one or more of the Projects to mitigate significant adverse environmental impacts; (b) select feasible alternatives that avoid significant adverse impacts of one or more of the Projects; (c) require the implementation of specific measures to mitigate the significant adverse environmental impacts of one or more of the Projects, as identified through environmental review; (d) reject all or part of one or more of the Projects as proposed if the economic and social benefits of the Project do not outweigh otherwise unavoidable significant adverse impacts of that Project; and (e) approve one or more of the Projects upon a finding that the economic and social benefits of the Project outweigh otherwise unavoidable significant adverse environmental impacts of that Project; and
WHEREAS, Although the City has obtained appraisals of the City Property at
$63,875,000 and 2000 Marin at $63,600,000, the combined value of 2000 Marin and the
Additional Developer Consideration currently exceed the value of the City Property; and

WHEREAS, The Board understands and agrees that if the combined value of 2000
Marin and the Additional Developer Consideration exceed the value of the City Property, the
excess value shall be deemed a gift by Developer to the City; and

WHEREAS, After completion of environmental review and before closing of the
property exchange, if any, the Agreement requires the Board of Supervisors and the Mayor,
each at their respective sole and absolute discretion, to approve the property exchange; and

WHEREAS, On July 10, 2018, the SFPUC, by Commission Resolution No. 18-0121,
authorized the General Manager of the SFPUC to execute the Agreement, subject to approval
by the Board of Supervisors; and

WHEREAS, Entering into the Agreement with Developer is in the City's best interest,
and the SFPUC has found in Resolution No. 18-0121 that (a) the existing space at the City
Property will not meet the SFPUC's anticipated future utility yard operational needs, so either
expansion of the existing facility or securing a replacement facility will be necessary in the
near future and (b) the 2000 Marin is expected to result in improved and more integrated
SFPUC utility operations on a site that is five times larger than the City Property, with
excellent access to transportation routes, and therefore, if all of the conditions for the
proposed property exchange are satisfied, acquisition of 2000 Marin would render the City
Property surplus to the SFPUC's utility needs; and

WHEREAS, The proposed use of the City Property by Developer may yield more
appropriate land uses within the Central SOMA Plan Area; and
WHEREAS, This resolution is not an approval of any of the Projects or a commitment to proceed with the property exchange, and this resolution does not constitute an “Approval,” as that term is defined by CEQA Guidelines, Section 15352; now, therefore, be it

RESOLVED, That the Board of Supervisors finds that the Agreement is a conditional land acquisition agreement as described in CEQA Guidelines, Section 15004(b)(2)(A), and closing is conditioned on City’s discretionary approval of the property exchange following the completion of environmental review; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby approves the Agreement and authorizes the execution and performance of the Agreement by the Director of Property and the SFPUC General Manager in substantially the form presented to the Board in File No. 180550, together with any other documents that are necessary or advisable to effectuate the proposed property exchange subject to satisfaction of each of the conditions in the Agreement, including the City’s subsequent discretionary approval; and, be it

FURTHER RESOLVED, Nothing in this resolution limits the discretion of the Board with respect to the approval or rejection of any of the Projects, and the Board of Supervisors understands that conditions for the benefit of Developer, including the issuance of project approvals for the Development Project, may be waived by Developer.
RECOMMENDED:

Andrico Penick, Acting Director of Property

Harlan L. Kelly, Jr., General Manager, SFPUC
Resolution approving a Conditional Land Disposition and Acquisition Agreement with 2000 Marin Property, L.P., for the City's future transfer of real property at 639 Bryant Street (Assessor's Parcel Block No. 3777, Lot No. 052) under the jurisdiction of the San Francisco Public Utilities Commission (SFPUC) in exchange for real property at 2000 Marin Street (Assessor's Parcel Block No. 4346, Lot No. 002), subject to several conditions, including the reimbursement of certain SFPUC costs; finding that the Agreement is a conditional land acquisition agreement under California Environmental Quality Act Guidelines, Section 15004(b)(2)(A), and City's discretionary approval after the completion of environmental review.

July 24, 2018 Board of Supervisors - ADOPTED

Ayes: 9 - Cohen, Brown, Kim, Mandelman, Peskin, Ronen, Safai, Stefani and Yee
Excused: 2 - Fewer and Tang
I hereby certify that the foregoing Resolution was ADOPTED on 7/24/2018 by the Board of Supervisors of the City and County of San Francisco.

[Signature]
Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

Date Approved
8-2-18