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**Update of Negotiations with UCSF**  
**Regarding Ground Lease of the B/C Lot for New UCSF Research Facility**

**Background – Health Commission and Board of Supervisors Endorsement of Term Sheet:**

- On May 5, 2015, the Health Commission, by Resolution No. 15-7, endorsed a non-binding Term Sheet for the Ground Lease of the B/C Lot at ZSFG to UCSF for the purpose of building a new Research Facility, and directed DPH staff to seek the endorsement of the Board of Supervisors of the Term Sheet and, upon receipt of such Board endorsement, to continue negotiations with UCSF with a goal of completing negotiation of the Ground Lease and related documents by June 30, 2016
- On July 21, 2015, the Board of Supervisors adopted Board Resolution 289-15, which endorsed the non-binding Term Sheet and directed City staff to continue negotiations consistent with the Term Sheet, and provided that if the parties are successful in negotiations, the Director of Property and Director of Public Health shall seek Health Commission and Board approval of the Ground Lease
- Neither the Health Commission nor the Board of Supervisors' endorsement of the Term Sheet commits 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
- The Term Sheet identifies certain essential terms of a proposed Ground Lease, however it does not set forth all of the material terms and conditions required for the Ground Lease

**CEQA Review:**

- UCSF published a draft EIR in March 2016
- UCSF is finalizing the EIR and CEQA findings, and hopes to submit the EIR to the Regents for action in September 2016, together with submittal of the Ground Lease
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**Status of Negotiation of Ground Lease and Related Documents:**

- Agreements under negotiation
  - Lease Disposition and Development Agreement (LDDA)
  - Ground Lease
  - Easement for Utilities to Research Building
  - Lease for continued multi-floor occupancy at Building 3
- Staff has reached agreement on many material terms; several material terms are still under discussion

- Most recent City submittals to UCSF requiring response and possible further discussion:\*
  - City draft of Utility Easement transmitted May 3rd
  - City draft Construction License and LDDA Permit to Enter (Exhibits J and K to LDDA) transmitted June 23rd.
  - City redraft of the LDDA transmitted Aug. 2nd.
  - City redraft of the Ground Lease transmitted May 10th.
  - City proposed revisions to Ground Lease Indemnity provision (Section 18) transmitted July 21st.
  - City proposed revisions to Possessory Interest Tax provision (Section 8) transmitted July 13th.
  - City proposed revisions to Prevailing Market Rate determination for establishing the purchase price of the Research Building if the Affiliation Agreement is terminated and the City elects to purchase the Research Facility under the purchase option in the Ground Lease (Section 39.7) - transmitted June 24th.
  - City request for UCSF to propose language describing UCSF's proposed valuation test for a floor on the purchase price of the Research Building if the Affiliation Agreement is terminated and the City elects to purchase the Research Facility under the purchase option in the Ground Lease (to be based on outstanding balance of the debt during the initial financing term), requested by City June 24.
  - Full set of comments on the Building 3 lease draft dated August 3, 2015 (partial comments received from UC on May 6, 2016)
  - Request for UCSF to provide explanation of the finance risks that it believes would jeopardize tax exempt financing associated with a lease back by City during the debt service term. (issue raised in April 2016, request for clarification and/or proposed language made by City at that time, last request made on May 30<sup>th</sup> 2016).
  - City's Office of Economic and Workforce Development proposal regarding First Source Memorandum of Understanding to use CityBuild as the construction employment referral program for construction of the Research Facility and ZSFG campus improvements delivered to UCSF 8/12/16.

\*UCSF indicated on August 15th 2016 that it would provide a response to some of these outstanding items on August 16th 2016

#### Next Steps:

- Continue negotiations with UCSF
- Ground Lease approval at UC Regents (with EIR certification) – UCSF projects September 14-15
- LDDA, Ground Lease, Building 3 Lease, and related documents at Health Commission (with review and consideration of environmental documentation) – November 8 if documents are final and Regents have approved (based on UCSF projected schedule)
- LDDA, Ground Lease, Building 3 Lease, and related documents at Board of Supervisors (with review and consideration of environmental documentation) – Committee November 8 full Board December 20 (if Regents and Health Commission approve per projected UCSF schedule)
- Implement LDDA – UCSF selects architect and contractor and approves plans, DPH approval required for ZSFG Campus Improvements
- Deliver B/C Lot to UCSF/UCSF breaks ground – projected 2017
- UCSF vacates most research space on campus and occupies Research Facility – projected 2019