

RESOLUTION NO. 47-2010

Adopted As Amended May 4, 2010

**AUTHORIZING AN AMENDED AND RESTATED EXCLUSIVE
NEGOTIATIONS AGREEMENT WITH 706 MISSION STREET CO LLC,
A DELAWARE LIMITED LIABILITY COMPANY, FOR THE DEVELOPMENT
OF A MIXED-USE PROJECT, INCLUDING A RESIDENTIAL TOWER AND
MUSEUM SPACE, ON 706 MISSION STREET (ASSESSOR'S BLOCK 3706, LOT
93) AND AGENCY PARCEL CB-1-MM LOCATED AT THE NORTH SIDE OF
MISSION STREET BETWEEN THIRD AND FOURTH STREETS (ASSESSOR'S
BLOCK 3706, PORTION OF LOT 277) AND ALSO AUTHORIZING OTHER
ANCILLARY ACTIONS; YERBA BUENA CENTER REDEVELOPMENT
PROJECT AREA**

BASIS FOR RESOLUTION

1. On July 15, 2008, the Agency Commission authorized an exclusive negotiations agreement (the "Original ENA") with 706 Mission Street Co LLC (the "Developer") for the development of a high-rise mixed-use project on a site that includes a parcel owned by the Developer and a parcel owned by the Redevelopment Agency of the City and County of San Francisco (the "Agency").
2. The Agency-owned parcel, identified as Agency disposition parcel CB-1-MM, is the Agency's last developable parcel of land in the Yerba Buena Center Redevelopment Project Area (the "Project Area"). It is a 9,800-square-foot parcel located in the first of the Yerba Buena "central blocks" at the north side of Mission Street between Third and Fourth Streets (the "Agency Property"). Next to the Agency Property is the parcel owned by the Developer. It is improved in part with an existing historically important office/retail building of about 100,000 square feet, known as the "Mercantile Building" (the "Developer Property", and together with the Agency Property, the "Site").
3. Under the Original ENA, the Developer proposed to build a mixed-use project on the Site that included a high-rise residential tower of approximately 220 units and an approximately 35,000-square-foot cultural component, expected to be leased by the Agency to the Mexican Museum. The existing Mercantile Building was to be rehabilitated and incorporated into the overall project design. The Developer also proposed to purchase another adjacent Agency property, the existing 460-space underground public parking garage (the "Jessie Square Garage"), which would serve both public and project-related uses.
4. The ultimate goal, at the end of the Original ENA's approximately 18-month term, was to enter into an Owner Participation and Disposition and Development Agreement ("OP/DDA") with the Developer for the disposition of the two


Agency-owned properties and the development of an integrated mixed-use development on the Site before the then-anticipated expiration of the Project Area on January 1, 2010. Subsequent to approval of the Original ENA, the expiration date of the Project Area was extended for an additional year to January 1, 2011.

5. Unfortunately, progress under the Original ENA was severely impacted by the economic recession and the inability of developers to obtain project financing that resulted from the collapse of the global financial markets. Now that the economy is showing signs of improvement and project financing is more readily available, the Developer is committed to aggressively moving forward with the project.
6. As a result, the Developer and Agency staff are proposing to extend the term of the Original ENA to July 15, 2012 and make other changes to account for the revised project timeline and regulatory environment (the "Amended ENA"). All other elements of the mixed-use project, including the previously negotiated public benefits, remain unchanged. The Amended ENA, if approved by the Agency Commission, would be a binding agreement between the Developer and the Agency to exclusively negotiate in good faith the terms of the proposed project.
7. Because land use jurisdiction within the Project Area will revert to the City and County of San Francisco's (the "City") Planning Department in 2011, the design and land use entitlements for the project will fall under the City's jurisdiction. However, the Agency Commission will still have significant approval rights over the project. Instead of the previously contemplated OP/DDA, the Agency Commission will be asked in the future to consider one or more detailed purchase and sale agreements with the Developer that will include terms for the sale of the Agency Property and the Jessie Square Garage, including terms for the construction of the cultural component, provision of endowment funds for the user of the cultural component, payment of affordable housing fees, and other public benefits. The Agency Commission will also be asked to approve detailed agreements with the user of the cultural component, expected to be the Mexican Museum, for the lease, operation and build-out of the Agency-owned museum space.
8. Authorization of the Amended ENA is an Agency administrative activity that is not a project as defined by the California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(5). The Amended ENA will not independently result in a physical change in the environment and is not subject to environmental review under CEQA.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to enter into an Amended and Restated Exclusive Negotiations Agreement with 706 Mission Street Co LLC, a Delaware limited liability company, for the development of a mixed-use project, including a residential tower and museum space, on 706 Mission Street and Agency Parcel CB-1-MM, substantially in the form lodged with the Agency General Counsel, and to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

APPROVED AS TO FORM:



to James B. Morales
Agency General Counsel