RESOLUTION NO. 81-2005

Adopted May 17, 2005

APPROVING A NON-BINDING TERM SHEET WITH THE REGENTS OF THE UNIVERSITY OF CALIFORNIA FOR THE EXPANSION OF UCSF FACILITIES IN THE MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA AND AUTHORIZING THE EXECUTIVE DIRECTOR TO TAKE ALL NECESSARY STEPS TO PREPARE AGREEMENTS AND RELATED DOCUMENTS CONSISTENT WITH THE TERM SHEET; MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. On September 17, 1998, by Resolution No. 193-98, the San Francisco Redevelopment Agency Commission ("Agency Commission") conditionally approved the Mission Bay South Owner Participation Agreement ("South OPA") and related documents between Catellus Development Corporation ("Owner") and the Agency for development in the Mission Bay South Redevelopment Project Area ("Project Area").

2. On November 2, 1998, the Board of Supervisors of the City and County of San Francisco ("Board") by Ordinance No. 335-98 approved and adopted the Redevelopment Plan for the Mission Bay South Redevelopment Project Area ("Plan"). The Board's adoption of the Plan satisfied the conditions to the effectiveness of Agency Resolution No. 193-98.

3. On November 16, 1998, the Agency entered into the South OPA with the Owner. The South OPA sets forth phasing principles that govern the development of property in the Project Area. Those principles include the developer’s obligations to deliver to the Agency affordable housing sites as market rate housing is built in the Project Area. They also include the developer’s commitments to construct public open space and other public infrastructure adjacent to – or otherwise triggered by – development on any of the private parcels governed by the South OPA.

4. Under the South OPA and related Mission Bay South Tax Increment Allocation Pledge Agreement, dated as of November 16, 1998, between the Agency and the City ("Pledge Agreement"), approximately 20% of the total property tax increment (plus certain excess tax increment) generated by development in the Project Area is contractually dedicated to develop affordable housing units on parcels that the Owner will contribute to the Agency, to achieve the affordable housing program contemplated by the Plan.

5. The South OPA requires the Owner to construct the public infrastructure directly related to each of the major phases in accordance with the incremental
build-out of each project. Under the South OPA and the Pledge Agreement, the Agency is obligated to fund, repay or reimburse the developer, subject to certain conditions, for the direct and indirect costs of constructing the infrastructure. The Agency has established a Community Facilities District ("CFD") for infrastructure in the Project Area. The Agency has also established a separate CFD to pay the costs of maintaining the public open space in the Project Area.

6. The South OPA provides that as a condition to any transfer of property in the Project Area, the Owner must obtain the agreement of the transferee to assume all of Owner's obligations under the South OPA with respect to the transferred parcels.

7. The Project Area includes an approximately 43-acre biomedical research and educational campus site ("Campus Site") for the University of California, San Francisco ("UCSF"). UCSF has already invested about $675 million on projects completed or underway on the Campus Site within the Plan Area and has plans to invest another $225 million on projects in design.

8. The Regents of the University of California ("Regents") wishes to lease or acquire, and the Owner wishes to transfer Parcels 36, 37, 38 and 39 in the Project Area, comprising approximately 9.65 acres of land for the possible expansion of UCSF in Mission Bay ("Expansion Parcels"). These parcels are not part of the 43 acres that the Plan originally designated as the Campus Site.

9. On November 30, 2004, the Regents released proposed amendments in draft form to its long range development plan, as LRDP Amendment #2. Those amendments contemplate an expansion of UCSF facilities onto the Expansion Parcels, including the possibility of developing by 2012 new integrated specialty Children's, Women's and Cancer hospitals containing about 210 beds, together with ambulatory and research facilities. In March 2005, the Regents approved LRDP Amendment #2 and certified a related environmental impact report.

10. The Owner and the Regents have entered into an Option Agreement and Grant of Option to Lease, dated as of January 1, 2005 ("Option to Lease"), which provides that upon the satisfaction of certain conditions and the exercise by the Regents of its option (i) Catellus, as landlord, and the Regents, as tenant, will enter into a long-term ground lease of the Expansion Parcels ("Lease") and (ii) the Owner and the Regents will at the same time enter into an Option Agreement and Grant of Option to Purchase ("Option to Purchase") under which the Regents will have an option to purchase the Expansion Parcels.

11. If the Regents exercises the Option to Lease within the option term, the Lease would allow for the Regents to develop up to 1,020,000 leasable square feet on the Expansion Parcels, provided that (a) any development of those parcels is the subject of further environmental review under the California
Environmental Quality Act, and (b) the Owner does not lose any of its entitled development potential for the balance of its land nor lose any of its other rights and privileges under the South OPA.

12. The City must make substantial improvements to San Francisco General Hospital by 2013 and is evaluating a number of alternatives, including rebuilding on site and co-locating a new SFGH with new UCSF medical facilities in Mission Bay.

13. As a State agency, the Regents is exempt under the State Constitution from local land use regulation and property taxes to the extent it uses property exclusively in furtherance of its educational mission.

14. The Agency, City and Regents have been negotiating a non-binding term sheet that would guide the preparation of final transactional and related documents, such as a Disposition and Development Agreement and a Memorandum of Understanding regarding design standards and cooperation on the development of the Expansion Parcels.

15. The proposed term sheet addresses, among other things: the potential loss of tax increment from the transfer of the Expansion Parcels to a tax-exempt entity; the obligations to build infrastructure associated with development on the Expansion Parcels; the obligation of the Regents to acquire property for, and to construct and subsidize, affordable housing for low income workers of UCSF; the potential assistance of UCSF in the planning of the co-location, if any, of the San Francisco General Hospital with the new UCSF facilities; the standards for design review for construction on the Expansion Parcels; local hiring and equal opportunity for jobs associated with the development on the Expansion Parcels; and other matters designed to provide the Agency and City with significant public benefits.

16. In consideration of the public benefits that will flow to the Agency and the City from these transactions, the Term Sheet acknowledges the Agency’s willingness to consent to the Transfer and agree to release the Owner and developer from obligations under the South OPA with respect to the Expansion Parcels, subject to the terms and conditions set forth in the Term Sheet.

17. The term sheet calls for the Agency’s consideration of final agreements and related documents by September 2005 and a need may exist to use outside legal counsel and consultants to assist staff in the preparation of these documents within this relatively short time frame.

18. The Agency staff is recommending that the Agency Commission approve the Term Sheet, which is attached as Attachment A.

19. The approval of the non-binding term sheet does not require environmental findings under the California Environmental Quality Act.
RESOLUTION

ACCORDINGLY, IT IS HEREBY RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized 1) to execute the “Expansion of UCSF Facilities in Mission Bay South Redevelopment Project Area (Blocks 36-39) Term Sheet,” substantially in the form attached as Attachment A, and 2) to take all necessary steps to prepare agreements and related documents consistent with the Term Sheet, including but not limited to the engagement of outside legal counsel and consultants pursuant to personal service contracts not to exceed $75,000.

APPROVED AS TO FORM:

James B. Morales
Agency General Counsel
EXPANSION OF UCSF FACILITIES

IN THE MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA

(BLOCKS 36-39)

TERM SHEET

This Term Sheet, dated as of May __, 2005, summarizes certain basic terms of a proposed transaction among the Redevelopment Agency of the City and County of San Francisco (the "Agency"), the City and County of San Francisco (the "City") and The Regents of the University of California ("The Regents"), for the expansion of University of California, San Francisco ("UCSF") facilities in Mission Bay.

This Term Sheet is made with reference to the following facts and circumstances:

A. In accordance with the Community Redevelopment Law of California (Health & Safety Code Section 33000 et seq.), the City, acting through its Board of Supervisors and Mayor, approved a Redevelopment Plan for the Mission Bay South Redevelopment Project by Ordinance No. 335-98, adopted on November 2, 1998 (the "Redevelopment Plan"). In partnership with the City under the Mission Bay South Interagency Cooperation Agreement, dated as of November 16, 1998 (the "Interagency Cooperation Agreement"), the Agency is in the process of implementing the Redevelopment Plan, which is producing substantial public and economic benefits to the City. The Redevelopment Plan provides for the redevelopment, rehabilitation and revitalization of the area generally bounded by Seventh Street, Mariposa Street, relocated Terry François Boulevard and China Basin Channel and containing approximately 238 acres of land, as shown on the Land Use Plan attached as Attachment 1 (the "Plan Area").

B. The Redevelopment Plan, together with the related Redevelopment Plan for the Mission Bay North Redevelopment Project, describes a mixed-use development that will create a new neighborhood in San Francisco, containing a total of approximately 5,990 housing units north and south of Mission Creek. The units will consist of market rate and affordable units, both rental and for sale. Overall, approximately 1,705 of those housing units, or 28%, will be affordable. Those units will serve a range of households, from very low income, earning no more than 50% of area median income, to moderate income, earning no more than 110% of area median income. This affordable housing program represents nearly twice the number of affordable units required by redevelopment law. Of the 1,700 affordable units, Agency sponsored non-profit affordable housing developers will build 1,445 on about 16 acres of sites contributed by Catellus and...
FOCIL (as defined in Paragraph Y of these Recitals, below) (in their respective roles as the Primary Developer, as defined in Paragraph O below, including about 12.2 acres in the Mission Bay South Plan Area, based on an assumed density of 90 units per acre. The remaining 255 affordable units will be constructed by the Primary Developer in the area subject to the Redevelopment Plan for the Mission Bay North Redevelopment Project ("Mission Bay North").

C. Other land uses designated for private development include approximately 863,600 Leasable square feet of retail space, a mix of approximately 5,953,600 Leasable square feet of research and development, light manufacturing and other commercial space suitable for biotechnology users, and a 500-room hotel. In addition, the redevelopment program contemplates development of about 49 acres of public open space, public facilities, including a school and police/fire station, and other public amenities. The Plan Area will benefit from a large investment by the City in public transit infrastructure, including the Third Street Muni Light Rail Project, which is currently under construction.

D. At its center, the Plan Area includes an approximately 43-acre biomedical research and educational campus site for UCSF, including approximately 2,650,000 square feet of UCSF facilities and housing for UCSF staff and students (the "Campus Site").

E. UCSF is one of the City’s largest employers, with approximately 21,000 full-and part-time jobs (over 14,000 on a full-time equivalent basis) working in San Francisco and contributing to the San Francisco economy.

F. UCSF’s world-renowned hospital, biomedical research facilities and medical, dental, pharmacy and nursing schools contribute invaluable benefits to San Francisco residents and to the entire Bay Area and the State of California. UCSF contributes over $60 million annually in direct sales spending in San Francisco and, taking into account the multiplier effects of UCSF’s spending and wage impacts, adds about $700 million per year into the San Francisco economy.

G. Beyond economic benefits, UCSF provides other public benefits, including a diverse range of superior quality education and health services, by way of patient care at its two medical centers at Parnassus Heights and Mount Zion, and through staffing of the San Francisco General Hospital (SFGH) and the Veterans Administration Medical Center. UCSF and SFGH have maintained a major hospital affiliation agreement for over 125 years. The current affiliation agreement defines the respective responsibilities, rights, commitments and reimbursements for each of the parties relating to patient care at SFGH. In recent years, the City has been unable to fully reimburse UCSF for the costs of providing patient care at SFGH, such that UCSF has had to provide tens of millions of dollars of subsidized care to City residents. At the same time, the parties recognize that UCSF receives a number of benefits currently from its relationship with the City at SFGH, including, without limitation, educational benefits to
UCSF's students and post-doctorate scholars from being able to participate in SFGH care.

H. UCSF’s commitment to the residents of San Francisco has been demonstrated through community service and volunteer programs, including health care services for the homeless, dental services at the Buchanan Dental Center, the Science and Health Education Partnership (SEP) program with the San Francisco Unified School District, and a variety of other community service programs.

I. UCSF also operates programs that focus on increased employment opportunities and access for residents of neighborhoods in the southeastern portion of the City and particularly in neighborhoods bordering the new campus at Mission Bay.

J. In 1998 in connection with the adoption of the Redevelopment Plan, and under special state legislation adopted in 1997 to provide for an exchange of public trust lands, the City and Catellus agreed to convey the 43-acre site to The Regents at no transfer price, to induce UCSF to develop its major new campus in Mission Bay, to facilitate approval of an exchange of public trust lands to allow the Redevelopment Plan to be realized, and to attract biotechnology and compatible uses on the private parcels designated for commercial development in the rest of the Plan Area. As UCSF develops the Campus Site, it contributes to public infrastructure (i.e. public streets and utilities) bordering and running through the Campus Site, which is built by the Primary Developer. UCSF contributes to a park maintenance fund for all of the Plan Area. UCSF funds all campus infrastructure, including internal campus streets, utilities, and landscaping at the Campus Site. UCSF also agreed to provide at least eight acres of publicly accessible open space on the Campus Site.

K. UCSF, the City and the Agency are committed to facilitating the development of commercial biotechnology uses on the privately owned parcels in the Plan Area and establishing San Francisco in general and Mission Bay in particular as the major international biotechnology hub. The City has adopted a number of policies to promote biotechnology in San Francisco. Significantly, San Francisco recently won a competitive process for the selection of a site for the permanent headquarters for the new California Institute for Regenerative Medicine ("CIRM"). The site, which is in Mission Bay, will help make San Francisco a world center for biotechnology research. The CIRM was established in early 2005 with the adoption of Proposition 71, the California Stem Cell Research and Cures Initiative. The statewide ballot measure provides $3 billion in funding for stem cell research at California universities and research institutions.

L. UCSF has already invested about $675 million on projects completed or underway on the Campus Site within the Plan Area and has plans to invest another $225 million on projects in design. UCSF has completed or is underway with construction of over 1,000,000 square feet of research, educational and campus-serving facilities on Blocks 19, 21, 22, 23 and 24. In addition, UCSF is building a 430-rental unit project on Block 20 within the Campus Site, an
additional over $110 million investment in Mission Bay. UCSF will offer those units at below market rents to its students and postdoctoral scholars. In addition, UCSF plans to build a childcare center for its employees as part of its development of the Campus Site.

M. The Redevelopment Plan contemplates that The Regents will work cooperatively with the Agency regarding land use and planning issues in the Campus Site, to assure that the mutual interests of UCSF and the Agency are addressed. But the Redevelopment Plan also acknowledges that because UCSF is exempt under Article IX, Section 9 of the State Constitution from local planning, zoning and redevelopment regulations when using its property exclusively in furtherance of its educational purposes, the property to be used by UCSF for educational purposes would not be subject to the actions of the Agency to implement the Redevelopment Plan, except for the portions of the Campus Site to be developed either as a location for the San Francisco Unified School District or public open space, and for dedicated public streets. In addition to the provisions of the Redevelopment Plan calling for cooperation between The Regents and the Agency, UCSF and the City have a long-standing memorandum of understanding, dated as of February 17, 1987 (the "1987 MOU"), regarding communication and oversight of UCSF master planning, construction and real estate utilization. The 1987 MOU provides for collaboration between UCSF and the City's Planning Department in land use decisions by UCSF.

N. In January 1997, The Regents adopted UCSF's current Long Range Development Plan ("LRDP"), which describes plans for UCSF's physical facilities over a 15-year horizon, including the major new campus in Mission Bay. The Regents amended the LRDP in January 2002 to incorporate housing as a use at the Mission Bay campus site. In its LRDP, The Regents recognizes as one of its goals and objectives that UCSF should mitigate the adverse economic impacts of its development in Mission Bay and elsewhere in the City on both the cost and availability of housing. Specifically, that LRDP calls for UCSF to expand the affordable housing stock for its faculty, staff and students, in consultation with the community, and to investigate strategies for funding the development of affordable campus housing for students in San Francisco.

O. To implement the Redevelopment Plan, the Agency entered into a Mission Bay South Owner Participation Agreement dated as of November 16, 1998 (as the same may be amended from time to time in accordance with its terms, the "OPA"), with Catellus Development Corporation, a publicly held real estate corporation, which then owned most of the private property in the Plan Area. The OPA sets forth phasing principles that govern the development of that property in the Plan Area in furtherance of the Redevelopment Plan. Those linkages include obligations of the Primary Developer (as defined in this paragraph below) to deliver the Agency Affordable Housing Parcel as the Primary Developer builds market rate housing in the Plan Area. They also include the Primary Developer's commitments to construct public open space and other public infrastructure adjacent to – or otherwise triggered by – development on any of the private
parcels governed by the OPA. Unless otherwise defined in this Term Sheet, initially capitalized terms shall have the meanings given them in the OPA. All references to "Catellus" mean Catellus Development Corporation, or its affiliates succeeding to its obligations under the OPA (including Catellus Land and Development Corporation), as appropriate, and all references to the "Primary Developer" mean from the date of the OPA to November 22, 2004, Catellus, and after November 22, 2004, FOCIL (as defined in paragraph Y below) and its successors, with obligations under the OPA to construct Infrastructure.

P. Under the OPA and related Mission Bay South Tax Increment Allocation Pledge Agreement, dated as of November 16, 1998, between the Agency and the City (the "Pledge Agreement"), approximately 20% of the total property tax increment (plus certain excess tax increment) generated by development in the Plan Area is contractually dedicated to develop affordable housing units on parcels that the Primary Developer will contribute to the Agency, to achieve the affordable housing program contemplated by the Redevelopment Plan.

Q. The OPA requires the Primary Developer to construct the public infrastructure directly related to each of the major phases in accordance with the incremental build-out of each project. Under the OPA and the Pledge Agreement, the Agency is obligated to fund, repay or reimburse the Primary Developer, subject to certain conditions, for the direct and indirect costs of constructing the infrastructure through (i) special taxes or bonds secured by special taxes levied on the Primary Developer's property under a Community Facilities District ("CFD"), (ii) payment of net available property tax increment generated within the Plan Area or tax allocation bonds issued and secured by such increment, or (iii) a combination of the foregoing, to the extent such tax revenues are available to the Agency. The Agency has established a CFD for infrastructure in the Plan Area. As contemplated under the OPA, the Agency has established a separate CFD to pay the costs of maintaining the public open space in the Plan Area and in Mission Bay North.

R. In the manner more specifically contemplated by and described in the Option to Lease (defined in this paragraph below), The Regents wishes to acquire, and Catellus wishes to Transfer Parcels 36, 37, 38 and 39 in the Plan Area, comprising approximately 9.65 acres of land (the "Expansion Parcels"), for the possible expansion of UCSF in Mission Bay. The Redevelopment Plan designates the Expansion Parcels for commercial and industrial development. Catellus and The Regents have entered into an Option Agreement and Grant of Option to Lease, dated as of January 1, 2005 (the "Option to Lease"), which provides that upon the satisfaction of certain conditions and the exercise by The Regents of its option (i) Catellus, as landlord, and The Regents, as tenant, will enter into a long-term ground lease of the Expansion Parcels (the "Lease") and (ii) Catellus and The Regents will at the same time enter into an Option Agreement and Grant of Option to Purchase (the "Option to Purchase") under which The Regents will have an option to purchase the Expansion Parcels, all on the terms more specifically set forth in those agreements. (A Memorandum of Option to Lease was recorded in
the Official Records on or about April 1, 2005.) Generally, the option term extends through December 31, 2005. If the conditions set forth in the Option to Lease are satisfied and The Regents exercise the Option to Lease within the option term, the Lease would allow for UCSF to develop up to 1,020,000 Leasable square feet on the Expansion Parcels, provided that (a) any development of those parcels is the subject of further required environmental review under the California Environmental Quality Act, and (b) the Primary Developer does not lose any of its entitled development potential for the balance of its land nor lose any of its other rights and privileges under the OPA, as more particularly set forth in the Option to Lease and Paragraph 3b) of this Term Sheet below. In connection with development of its facilities, The Regents has agreed to pay the Primary Developer (or the Agency for subsequent reimbursement of costs to the Primary Developer) a share of the costs of infrastructure required for development of the Expansion Parcels, which the Primary Developer will construct. The Regents has also agreed with Catellus, and with the City and the Agency as provided in Section 2 of this Term Sheet, that the Expansion Parcels shall remain subject to the CFDs that the Agency has established for Infrastructure and open space maintenance.

S. The OPA provides that as a condition to any Transfer, Catellus obtain the agreement of the transferee to assume all of Catellus' obligations under the OPA with respect to the transferred parcels. In consideration of the public benefits that will flow to the Agency and the City from the transactions contemplated in this Term Sheet, the Agency is willing to modify the requirement that The Regents assume all such obligations with respect to the proposed Transfer of the Expansion Parcels to The Regents, and to consent to the Transfer and agree to release Catellus and the Primary Developer from their obligations under the OPA with respect to the Expansion Parcels, subject to the terms and conditions set forth in this Term Sheet, and provided that The Regents does not exercise the Option to Lease until the binding agreements contemplated by this Term Sheet are in place.

T. UCSF needs to address a number of challenges regarding its current hospital facilities, including: the mandate to meet State seismic and life safety standards under the 1994 amendments to the Alfred E. Alquist Hospital Facilities Seismic Safety Act, SB 1953, Ca. Health and Safety Code sec. 130000 et seq. (the "Alquist Act"), by replacing inpatient beds at its Mount Zion Hospital by 2013 and at its Moffit Hospital on Parnassus Heights by 2030: the need to rectify the functional obsolescence of all of its current hospital facilities; and the necessity to expand capacity to meet current demand for patient beds and provide for more outpatient care facilities. In light of these challenges, UCSF engaged in a public planning process over the past four years to develop – with community participation – a Hospital Replacement Program. On November 30, 2004, UCSF released proposed amendments in draft form to its long range development plan, as LRDP Amendment #2. Those amendments contemplate an expansion of UCSF facilities onto the Expansion Parcels, including the possibility of developing by 2012 new integrated specialty Children's, Women's and Cancer hospitals containing about 210 beds, together with ambulatory and research
facilities. The amendments also provide for other projects at UCSF's facilities at Mount Zion and Parnassus Heights. In conjunction with LRDP Amendment #2, UCSF released a draft program level environmental impact report (EIR) analyzing a range of alternatives, including the three specialty hospital uses in the Plan Area. UCSF identifies the Expansion Parcels as the preferred location for the new hospitals. In March 2005, The Regents certified the EIR and approved LRDP Amendment #2. While the Expansion Parcels would represent a significant addition to UCSF's potential developable area in the Plan Area, UCSF represents that it has not yet programmed any uses for the Expansion Parcels, including the specialty hospitals or expansion of its research campus, nor made any commitments to any particular project under the agreement with Catellus or otherwise.

U. As a State agency, The Regents is exempt under the State Constitution from property taxes to the extent it uses property exclusively in furtherance of its educational mission. Consequently, once Catellus enters into the Lease with The Regents, the City and Agency will lose projected tax increment that would otherwise have been generated by private development of the Expansion Parcels consistent with the Redevelopment Plan, for the period that The Regents uses the Expansion Parcels in furtherance of such purposes on and after such Transfer. As previously mentioned, a portion of such property tax increment is dedicated under the OPA and the Pledge Agreement for the development of affordable housing in Mission Bay and another portion is dedicated toward reimbursing costs of the construction of public Infrastructure in the Plan Area. The Regents' contribution toward the required infrastructure costs will offset a large portion of the property tax increment that would have been used to reimburse costs of the construction of such public Infrastructure. In addition, The Regents have agreed to pay assessments on the Expansion Parcels to pay its full share of the principal and interest for Mello Roos Bonds issued by Community Facilities District 6. The conveyance to The Regents will also result in a downward adjustment of base year values for purposes of determining property tax increment generated in the Plan Area, thus offsetting a portion of the property tax increment that would be lost as a result of The Regents' tax exemption.

V. An expansion of UCSF facilities in Mission Bay will generate jobs and other substantial economic and public benefits for the City. Such expansion may also accelerate private development elsewhere in Mission Bay, including biotechnology uses, and serve as an engine for other development, increasing tax increment beyond what otherwise might have been produced from those parcels and producing additional tax revenues both inside and outside Mission Bay. At the same time, because of UCSF's exemption from property taxes, payroll taxes, parking taxes, and transfer taxes, the City could lose significant General Fund revenues that otherwise would have been produced through redevelopment for private uses. As is the case now, UCSF will generate tax revenues to the City through its expansion, both directly as a result of sales taxes for its retail uses (e.g. gift store, pharmacy, etc.), and indirectly from sales and parking taxes on certain uses paid by its employees and students, sales taxes paid in connection with
construction materials for UCSF capital projects, and transient occupancy taxes paid by visitors attending UCSF conferences. These tax revenues and other revenues generated by UCSF’s presence in San Francisco help offset the net loss of General Fund revenues due to UCSF’s tax exemption.

W. To meet State requirements for seismic safety and life safety (under the Alquist Act), the City must make substantial improvements to San Francisco General Hospital by 2013. The City is evaluating a number of alternatives, including rebuilding on site. Another possible option to meet those requirements is to co-locate a new SFGH with new UCSF medical facilities in Mission Bay, while retaining outpatient and other operations at SFGH's current site in the Mission/Potrero Hill neighborhood. In addition to enhancing patient care through greater collaboration of medical staff, co-location could also achieve significant efficiencies and cost-savings for the City and UCSF, including, by way of example, shared access to a trauma center (emergency room), diagnostics and clinical facilities, central utility plant and parking. The Mayor has formed – or will soon form – a blue ribbon task force to evaluate and make policy recommendations regarding hospital planning for the City, including the possibility of co-location as one of the options for how SFGH should go about meeting the State seismic requirements. Any decision to co-locate in the Plan Area would need to be a mutual one, involving extensive negotiated agreements between the City and The Regents. In connection with the possible option of co-location, UCSF and SFGH are not considering a merger, and do not intend for SFGH to merge with UCSF. If the City were to decide to build a new SFGH in the Plan Area, then, subject to any rights of Catellus and the Primary Developer under the OPA to consent, the Agency and the City would need to amend the Redevelopment Plan and the City would need to approve corresponding amendments to its General Plan to allow for such use.

X. The Regents may consider in the future acquiring other private parcels in the Plan Area. That other real property includes, for example, Block 40, which is owned by Catellus (or has already been conveyed to FOCIL), or Block X3, which is owned by another private entity (collectively, "Other Possible Expansion Parcels").

Y. Independent of the proposed Transfer of the Expansion Parcels to The Regents under the Lease, Catellus has entered into a restructuring transaction involving the Mission Bay project. On November 22, 2004, Catellus Land and Development Corporation, Catellus Operating Limited Partnership, Catellus Residential Group, Inc., Catellus Finance Company, LLC, and Mission Bay S26(a), LLC, each a seller and a subsidiary of Catellus, as sellers, entered into a Purchase Agreement with FOCIL Holdings, LLC and certain of its affiliated entities, as buyers, under which Catellus and its subsidiaries have sold a significant portion of Catellus' remaining urban and residential development assets in Mission Bay to FOCIL-MB, LLC ("FOCIL"). Those assets include Blocks 1, 2, 3, 4, 5, 6, 7, 9, 9a, 10, 10a, 11, 12, 13, 26-1, 26-2, and 26-3, 26a, 27-1, 27-2, and 27-3, 33 and 34 in the Plan Area. They do not include the Expansion Parcels (Blocks 36-39), of which
Catellus retained ownership. In connection with the Purchase Agreement referred to above, FOCIL and certain of its affiliated entities also entered into a Development Agreement with Catellus Urban Construction, Inc. and Catellus Commercial Development Corporation, each a subsidiary of Catellus, under which the FOCIL entities have engaged the Catellus subsidiaries to act as development manager for the transferred assets. In addition, Catellus Finance Company, LLC, a subsidiary of Catellus, entered into a loan agreement with a FOCIL entity, and CF Capital, LLC, a subsidiary of Catellus, entered into a separate loan agreement with other FOCIL entities, in each case to fund a portion of the purchase price for the transferred assets. The sale of the assets and the other transactions contemplated by these agreements closed on November 23, 2004. Parcel 40 is also expected to be conveyed, or has already been conveyed, by Catellus to FOCIL.

Z. Also, Catellus has transferred other parcels in the Plan Area for development of biotechnology facilities and housing. Specifically, Catellus has sold a portion of Block 42, which The J. David Gladstone Institutes has developed as the first privately financed biomedical research facility in the Plan Area, located at 1650 Owen Street. Catellus has also sold Blocks 29, 30, 31, 32, 41, 42, and 43 to Alexandria Real Estate Equities, Inc. ("Alexandria"), a national REIT that specializes in development of life sciences and biomedical buildings. Alexandria is planning to begin development in Spring 2005 of an innovative translational life science research building at 1700 Owens Street. As successor to Catellus, FOCIL also has assumed certain existing purchase and sale agreements with Bosa Development Corporation, a Vancouver-based housing developer, for the future Transfer of a number of the residential parcels, including Blocks 2, 10, 10a, 11, 12 and 13, for development of market rate housing.

ACCORDINGLY, in light of the foregoing, and in order to resolve any potential dispute between UCSF on the one hand and the Agency and the City on the other hand about the legal effect of the Redevelopment Plan and the OPA in the event that The Regents exercises its option under the Option to Lease and enters into the Lease of the Expansion Parcels for the potential development of UCSF facilities, and in acknowledgement of the exemptions under the State Constitution of The Regents from local planning and redevelopment regulations and from local property taxes, where UCSF uses property exclusively in furtherance of its educational mission, the parties wish to set forth their understanding about final agreements they are willing to negotiate regarding the potential Transfer by Catellus to The Regents of the Expansion Parcels, the possible acquisition by The Regents of the Other Possible Expansion Parcels, the agreement of The Regents to build an affordable housing project, the development of UCSF facilities on the Expansion Parcels, and the possible co-location of SFGH, on the terms and conditions generally described below.

1. **Affordable Housing.**

In conjunction with its future development of the Expansion Parcels, The Regents agrees to build an affordable housing project containing 160 units (which is both a
minimum and a maximum number of units) on an Agency Affordable Housing Parcel in Mission Bay South containing about 1.6 acres, with a first priority for rental to UCSF employees and affiliates meeting the eligibility and income requirements set forth in subparagraph (c) below (the "Affordable Housing Project"). The Regents shall purchase the Agency Affordable Housing Parcel from the Agency and shall finance, develop and operate the Affordable Housing Project on the parcel at no expense to the Agency or the City, as further described below. In this way, The Regents will help meet its own needs for affordable housing, and address the impacts of its development consistent with the principles set forth in its Long Range Development Plan, and at the same time the objectives of the Agency and City underlying the Mission Bay affordable housing program will be satisfied. The Mission Bay South Housing Program, which is part of the OPA, specifically provides that the Agency may construct or cause to be constructed 1,100 Affordable Housing Units in the Plan Area by Qualified Housing Developers, which may include UCSF.

a) Designation of Affordable Housing Parcel. From the 12.2 acres to be transferred to the Agency by the Primary Developer, the Agency and The Regents have designated a 1.6 acre portion of Block 7, on the easterly most part of that site fronting Third Street, and located nearby the Campus Site, as shown on Attachment 4, for development by The Regents of the Affordable Housing Project (the "UCSF Affordable Housing Parcel"). The Agency will own the balance of Block 7, fronting on Fourth Street, for the development of an Agency Sponsored Affordable Housing Project. The parties acknowledge that the Agency has designated the Fourth Street corridor for ground floor retail and The Regents do not wish to be committed to building retail as part of the Affordable Housing Project. Accordingly, the easterly side of Block 7, which is the designated site for the UCSF Affordable Housing Parcel, is not subject to a ground floor retail requirement (although retail use is allowed). The parties anticipate that the Agency will have the right to exercise its option and take title to Block 7 from the Primary Developer in or before 2008, but in any event, before the date for the closing of the conveyance by the Agency to The Regents as provided in subsection b) below. The parties acknowledge that the obligation of the Primary Developer to convey the UCSF Affordable Housing Parcel to the Agency is linked to its development of market rate housing on adjoining property. The Agency shall keep UCSF informed of the various milestones in the Major Phase approval process that relate to the conveyance by the Primary Developer of Block 7. Namely, the Agency shall advise UCSF when: (1) the Agency receives a Major Phase application for development that would trigger the Primary Developer's obligation to convey Parcel 7 to the Agency, (2) the Agency approves such an application, at which time the Agency would have a binding option to acquire Block 7; (3) the subdivision map is approved for development under the approved Major Phase application that would trigger conveyance of Block 7, at which time the Agency may record the option; and (4) a building or site permit is issued for such development, at which time the Agency will have the right to exercise its option and take title to Block 7. In the unexpected event that the Agency finds that, for reasons outside of the Agency's control, it will not be in a position to
close timely on the conveyance of the easterly portion of Block 7 to The Regents, then the Agency may propose a substitute affordable housing site in Mission Bay South that is substantially the same size, configuration and development potential as the designated portion of Block 7 and is located in reasonable proximity to the Campus Site or the Expansion Parcels (collectively, the "Substitution Criteria"). The Regents shall not unreasonably withhold or delay approval of any such proposed substitution parcel, provided that is will not be deemed unreasonable for The Regents to reject approval of a proposed substitution parcel if the parcel does not meet each of the Substitution Criteria.

b) Closing of Conveyance by the Agency to The Regents of the UCSF Affordable Housing Parcel. To ensure that the Affordable Housing Project is completed in conjunction with the development of the Expansion Parcels, the closing of the conveyance by the Agency to The Regents of the UCSF Affordable Housing Parcel shall occur (subject to the Agency's receiving title to the parcel from the Primary Developer under the OPA) within 60 days after The Regents either begins construction of (i) any project or combination of projects that would yield a total of at least 500,000 leasable square feet of development either built or under construction on the Expansion Parcels or (ii) a hospital on any part of the Expansion Parcels, whichever comes first. At least 120 days before scheduled commencement of construction of any project on the Expansion Parcels that could trigger the Regents' obligation to build the housing, the Regents shall give the Agency prior written notice, requesting transfer of the UCSF Affordable Housing Parcel to The Regents. The Agency must complete conveyance of the UCSF Affordable Housing Parcel to The Regents no later than 180 days following The Regents' notice, provided that (i) the Primary Developer complies with its obligation to timely convey the parcel to the Agency in the manner and condition required by the OPA and further provided that (ii) if the Agency is unable to convey the UCSF Affordable Housing Parcel for any reason, then the closing shall be extended until 30 days after the Agency acquires title to parcel, and the deadlines for The Regents to commence and complete construction of the Affordable Housing Project shall be extended as provided in subsection c) below. If the Agency is unable to convey the UCSF Affordable Housing Parcel when the closing with The Regents would otherwise occur as provided above because the Agency will not then have the right to exercise its option to acquire such land under the OPA, then either the Agency or The Regents may propose substituting another affordable housing site in Mission Bay South that meets each of the Substitution Criteria (as defined at the end of subsection a) above). The parties shall consider such request to substitute the parcel in good faith, but shall not be obligated to agree to any such substitution, except that The Regents shall not unreasonably withhold or delay approval of any substitution parcel proposed by the Agency if that parcel meets each of the Substitution Criteria. If the Agency is unable to convey the UCSF Affordable Housing Parcel or another reasonably equivalent site reasonably approved by UCSF as provided above by the expiration of the Redevelopment Plan in
2028, and provided The Regents have otherwise satisfied the conditions to closing and triggered the obligation to build the Affordable Housing Project due to construction on the Expansion Parcels, then, solely in any such instance, shall The Regents be relieved after the expiration of the Redevelopment Plan of The Regent's obligations to close on the purchase of the UCSF Affordable Housing Parcel and proceed with the construction of the Affordable Housing Project and the Agency shall then promptly refund The Regents' prepayment of the Purchase Price, if any, in full without interest. In no event shall any failure by the Agency to convey the Affordable Housing Parcel delay The Regents' ability to proceed with construction on the Expansion Parcels, so long as The Regents otherwise is in compliance with its obligations to the Agency as contemplated by this Term Sheet.

c) **Timing of Obligation to Build the Affordable Housing Project.** Subject to the provisions of subsection b above regarding any extension in the timing of the closing for the conveyance of the UCSF Affordable Housing Parcel, The Regents shall commence construction of the Affordable Housing Project on or before the later of (i) 18 months before the scheduled completion of a hospital on the Expansion Parcels or, if the commencement of a project on the Expansion Parcels other than a hospital triggered The Regent's obligation to develop the UCSF Affordable Housing Project, then 18 months before the scheduled completed of such other project, or (ii) either (x) six months after the Agency conveys the UCSF Affordable Housing Parcel to The Regents if the Agency has the right to exercise its option under an option agreement for the designated portion of Block 7 at least 18 months before the closing with The Regents, or (y) 18 months after the Agency conveys the UCSF Affordable Housing Parcel to The Regents if it is substitute parcel or the Agency received the right to exercise the option agreement for the designated portion of Block 17 fewer than 18 months before the closing (the "Required Commencement Date"). (For purposes of the foregoing, surcharging (i.e. the placement of dirt on top of the site to compress the soils for the purpose of improving the site's geotechnical condition) alone shall not constitute the commencement of construction, so long as The Regents do not begin excavation or other construction activities.) The Regents shall complete construction (as such phrase is defined below) – or cause construction to be completed – of the Affordable Housing Project on before the completion of construction of the hospital or other project that triggered the closing, subject again to the provisions above regarding a possible extension. To help ensure compliance with this schedule of performance for the Affordable Housing Project, The Regents shall give the Agency written notice of the anticipated commencement and completion dates for development on the Expansion Parcels, and shall deliver such notice at least 54 months before the scheduled completion of a hospital on the Expansion Parcels, or if it intends to commence a project other than a hospital that would trigger its obligations with respect to the Affordable Housing Project, at least 42 months before anticipated commencement of that project. The Regents shall also supply to the Agency the Preliminary Development Notice and Development Notice as
required under Section 3.2 of the Housing Plan attached to and made a part of
the OPA, on a timely basis to allow for the commencement and completion of
the Affordable Housing Project as described above. If there are any material
changes to the anticipated schedule for development on the Expansion
Parcels, The Regents shall keep the Agency informed, in writing, of the new
schedule. For purposes of this Term Sheet, the term "complete construction"
or any similar phrase means both the substantial completion of construction,
subject only to minor punch list items, and the opening of the project for its
allowed use and occupancy. Notwithstanding the foregoing, if the Agency is
unable to convey the UCSF Affordable Housing Parcel within 30 days of
when the closing would otherwise have occurred under subsection b) above
because the Agency does not then have title to the land, then the deadlines for
The Regents to commence and complete construction shall be extended for a
reasonable time, sufficient to allow UCSF to begin, after the closing, to design
the Affordable Housing Project, estimate cost, obtain any necessary financing,
design or other approvals from The Regents, competitively bid and execute
construction contracts (or cause a third party to do so), and otherwise comply
with the requirements of the DDA (as defined below) with the Agency,
provided such period to commence construction shall not exceed 18 months
from the actual closing.

d) Affordability Requirements. The Regents shall develop the Affordable
Housing Project as rental housing consistent with the following unit mix,
affordability and eligibility requirements.

1) Unit Mix. The Affordable Housing Project shall consist of 120 two-
bedroom units (i.e. 75% of the units) and 40 one-bedroom units (i.e. 25%
of the units).

2) House Staff Units. In the Affordable Housing Project UCSF may offer up
to 48 of the two-bedroom units, or 30% of the total units (the "House Staff
Units") to UCSF employees and affiliates, with rents established at not
more than 30% of 100% of Area Median Income, adjusted solely for
household size, as determined by HUD for the San Francisco PSA at the
time the units are available for rental ("AMI"), as further provided in
subsection 4) below. The combined income for all occupants of each of
the House Staff Units shall not exceed 100% of AMI, adjusted solely for
household size. UCSF may restrict occupancy of the House Staff Units to
house staff (i.e. medical residents) and post-doctoral fellows and their
families. UCSF may rent individual bedrooms so long as the combined
income of the occupants remains less than or equal to the 100% AMI
household limitation, subject to the provisions for the setting of rent as
described in subsection 4) below. If UCSF cannot lease the House Staff
Units with residents and postdoctoral fellows, UCSF shall offer the
unleased units to UCSF staff and employees who meet the same 100%
AMI affordability restrictions described above.
3) **Low Income Employee Units.** UCSF shall offer the balance of the units in the Affordable Housing Project, namely the remaining 72 two bedroom units and all 40 of the one bedroom units (the "Employee Units") as a first priority to UCSF employees and affiliates, with rents established at not more than 30% of 60% of AMI, as further provided in subsection 4) below. The combined income for all occupants of each of the Low Income Employee Units shall not exceed 60% of AMI, adjusted solely for household size, and each unit shall be subject to a single lease agreement (i.e. not multiple lease agreements for separate bedrooms or occupants.) The Regents shall make the Low Income Employee Units available to qualified UCSF employees through an outreach and lottery selection system or other similar selection process. Before offering any of the Low Income Employee Units for rent, The Regents shall provide the Agency with a proposed marketing plan for the Agency's approval (not to be unreasonably withheld or delayed), which plan shall demonstrate compliance with these requirements for eligibility.

4) **Setting of Rent Levels.** The rent level of each of the units in the Affordable Housing Project shall be set based on an assumed occupancy of one person per bedroom plus one (e.g., two people in a one bedroom unit, and three people in a two bedroom unit). Such rent levels for each of the units in the Affordable Housing Project shall be adjusted based on HUD's utility allowance schedule. Periodic rent increases shall be limited to adjustments based on percentage changes to the AMI.

5) **Comparability of Units.** The House Staff Units and Low Income Employee Units shall be of substantially equivalent (for units with the same number of bedrooms), in size, location in the building, amenities and quality. Design differences between a dual master suite and two-bedroom family unit shall be taken into account.

6) **Term of Affordability.** Such affordability restrictions remain in place for 75 years from the earlier of (i) opening for the Affordable Housing Project or (ii) issuance by the City of a certificate of beneficial occupancy. For these purposes "opening" means when 10% of the Low Income Employee Units (16 units) are leased and occupied.

e) **Restrictions and Reports.** The Regents shall enter into an appropriate binding agreement with the Agency, as further described in paragraph f) below, assuring that the Affordable Housing Project is leased in accordance with the procedures described in this section, and shall record an appropriate memorandum of restrictions against the affected parcel or parcels of land. The Regents shall agree to provide annual reports to the Agency demonstrating compliance with the affordability restrictions and allow the Agency reasonable access to monitor compliance with the restrictions.
f) **Transaction Structure: DDA and Conveyance by Grant Deed with Declaration of Restrictions.** Notwithstanding the exemption of The Regents from redevelopment and other local land use regulations when using property exclusively in furtherance of education (as further described in Section 4 below), the Agency will enter into a Disposition and Development Agreement in form and substance consistent with this Term Sheet (the "DDA"). Attached to the DDA will be the form of the Grant Deed conveying the UCSF Affordable Housing Parcel and a copy of the Declaration of Restrictions. The DDA will govern construction of the Affordable Housing Project, and will include conditions precedent for the execution and delivery of a Grant Deed for the UCSF Affordable Housing Parcel, as provided below. The DDA will also include a scope of development and a schedule of performance, covering both design and construction phases of development. The parties will generally acknowledge under the DDA that The Regents may follow its own procedural requirements under applicable State law for construction, provided that The Regents shall pay prevailing wages or residential prevailing wages, as applicable, consistent with its policies. The Agency will convey fee title to the UCSF Affordable Housing Parcel to The Regents by Grant Deed, when The Regents is ready to begin construction of the Affordable Housing Project in accordance with the timing set forth in subsection b) above. The Grant Deed from the Agency will not include any warranties beyond what the Agency receives when it acquires title to such parcel under the OPA. Concurrently with the recordation of the Grant Deed, the parties shall cause a Declaration of Restrictions with respect to the affordability and eligibility restrictions described above that are to be recorded against the UCSF Affordable Housing Parcel, and shall encumber the property for a term of 75 years from the first to occur of the opening or the City's issuance of a certificate of beneficial occupancy for the Affordable Housing Project (as described in subsection d)6) above), and shall be in a first position and shall not be subordinated to any lien or other encumbrance during the term of such restrictions.

g) **Purchase Price for UCSF Affordable Housing Parcel.** The purchase price for the property, which The Regents shall pay, in cash or immediately available funds, to the Agency at the closing (i.e. when the Grant Deed is recorded in the public records) shall be equal to $5,000,000 (the "Purchase Price"). The Regents shall prepay the Purchase Price, in full, within 30 days of the execution and delivery of the final agreements contemplated by this Term Sheet. Upon payment by the Regents, the Purchase Price shall not be refundable by the Agency under any circumstances (except solely in the instance that (x) The Regents are ready, willing and able to close on the conveyance of the UCSF Affordable Housing Parcel consistent with subsection b) above and (y) (1) the Agency fails or is unable to perform its obligation to convey such land to The Regents when required to do so under the DDA, after having received marketable title to such land from the Primary Developer under the OPA and after having been provided written notice from The Regents and an opportunity to cure, or (2) the Agency is unable to convey
h) **Design Review and Approval.** The DDA or other appropriate transaction documents as described above will include procedures for the Agency to review and approve the design of the UCSF Affordable Housing Project. The design must also be reviewed and approved by The Regents. Specifically, the DDA will provide that the design of the Affordable Housing Project is subject to (i) the standards and guidelines in the Mission Bay South Design for Development for affordable housing projects, (ii) design approval by the Agency Commission, consistent with approvals for Agency-sponsored affordable housing projects in the Plan Area (which generally require Agency Commission approval of combined conceptual and schematic drawings) and Agency staff approval of design development and final construction drawings consistent with the Commission approved design documents) and (iii) compliance with the notice requirements under the Housing Program. The parties will acknowledge that, except for the obligations contained in the DDA, including the provisions giving the Agency the ability to review and approve the design as provided above, The Regents is otherwise exempt from local land use regulations, the Redevelopment Plan and the OPA in developing the housing on UCSF Affordable Housing Parcel. The Agency shall have no approval authority over CEQA documents, and The Regents shall continue to be the lead agency in approving CEQA documentation, provided the foregoing shall not affect the Agency’s obligation to make any necessary CEQA findings in connection with design approvals of the Affordable Housing Project.

i) **Financing, Construction and Operation Costs.** The Regents shall be responsible for all costs of developing the Affordable Housing Project as further provided below, but the parties acknowledge that The Regents will benefit from the Primary Developer’s obligation to the Agency under the OPA to provide parcels in developable condition, including the Primary Developer’s obligation to investigate and remediate environmental conditions relating to Hazardous Materials consistent with the environmental Risk Management Plan as it relates to the property, to remove or relocate any underground utilities (to the extent required under the OPA) and to construct Infrastructure to the perimeter of the parcel, as further provided in the OPA. The Regents may develop or operate the Affordable Housing Project through agreements with experienced non-profit housing developers. The Regents, or its Qualified Housing Developer, shall be responsible for all financing, construction and operating costs and risks associated with developing, owning, operating and managing the Affordable Housing Project. The parties acknowledge that in connection with the development of the Affordable Housing Project, The Regents, or its Qualified Housing Developer, may apply for tax advantaged financing. Neither the Agency nor City shall incur any costs or liabilities, nor be obligated to provide any financial assistance, with
respect to the Affordable Housing Project. Without limiting the foregoing, The Regents shall not be eligible to participate in the Agency-administered South Affordable Housing Loan Fund, established by the Primary Developer under the OPA's Housing Program to help fund predevelopment costs for affordable housing projects in the Plan Area.

j) Remedies of the Agency. If The Regents does not commence or complete construction of the Affordable Housing Project by the deadlines required for such performance, or adhere to the affordability requirements described above, the Agency shall have the following rights and remedies.

1) Before Commencement of Above Grade Construction. If The Regents does not expend significant funds (as defined in subsection 2) below) on and commence construction of above grade improvements on the Affordable Housing Project within six months after the Required Commencement Date, then the Agency have the option to give The Regents notice of the Agency's intent to (i) exercise a power of termination and obtain a reconveyance of the UCSF Affordable Housing Parcel, at no cost to the Agency (or, in the event of a breach by The Regents before the closing, the Agency may retain title to the land), and (ii) receive (if not already paid) and retain as liquidated damages the sum of (x) the Purchase Price and (y) an additional amount equal to $5,000,000. Such remedies of the Agency shall be cumulative. Upon receiving the Agency's notice of its intent to exercise these remedies, The Regents shall then have six months to cure such failure to perform by spending significant sums on and commencing above grade construction of the Affordable Housing Project and using its best efforts to timely complete construction of such project. If The Regents fails to cure such failure to perform, then the Agency may proceed to exercise these remedies, including the power of termination and liquidated damages. If the Agency exercises the power of termination and receives (or retains) title to the UCSF Affordable Housing Parcel, free and clear of any obligation to convey the same to The Regents, and receives the liquidated damages payment, then it shall not have the remedy of specific performance. Also, if the Agency exercises the power of termination, then The Regents shall have no further right, title or interest in or to the Agency Affordable Housing Parcel, the Agency may proceed with developing that parcel for affordable housing in accordance with any program it may then choose and The Regents may continue with development of the Expansion Parcels so long as it is otherwise in compliance with its obligations to the Agency with regard to that development under the MOU contemplated by this Term Sheet. In connection with the execution and delivery of the final DDA, The Regents shall provide the Agency with an executed and acknowledged quitclaim deed under the power of termination, and the Agency shall hold such deed according to the requirements described above.
2) **On and After the Commencement of Significant Above Grade Construction.** On and after the date that The Regents has spent significant sums on and commenced construction of above-grade improvements for the Affordable Housing Project, the Agency shall have the remedy of specific performance, or at its option, damages, if The Regents is in breach, but shall not have the option to exercise a power of termination and shall return to The Regents the executed and acknowledged quitclaim deed referred to above. The final documents shall contain appropriate provisions assuring the Agency of the availability of specific performance as a remedy to complete construction of the Affordable Housing Project within the time period required, or maintain the required affordability restrictions throughout their 75-year term. The parties shall agree to a specific minimum dollar amount in the definition of "significant sums" in the final Affordable Housing Agreements.

k) **Essential Pre-Condition to The Regents’ Development of Expansion Parcels.** Notwithstanding anything to the contrary in this Term Sheet, The Regents agrees that it shall not begin any development on the Expansion Parcel until it first enters into a legally binding DDA with the Agency for the development of the UCSF Affordable Housing Parcel consistent with the terms and conditions of this Section and Section 2 below.

l) **Other Possible Expansion Parcels.** Should The Regents, in its sole and absolute discretion, later decide to acquire any Other Possible Expansion Parcels for purposes in furtherance of UCSF’s mission, then, the Agency, the City and UCSF shall negotiate in good faith appropriate agreements for UCSF to address the housing demand generated by UCSF’s development on any such Other Possible Expansion Parcels – based in principle on the terms and conditions provided for in Section 1 of this Term Sheet; provided, however, the parties shall not be obligated to agree to the same terms and conditions set forth herein.

2. **Infrastructure.**

a) **Obligation to Construct Infrastructure and Payment for Infrastructure Costs.** The Primary Developer shall remain responsible to the Agency for constructing the Infrastructure as required under the OPA and shall remain entitled to be reimbursed from the Agency for certain costs of the Infrastructure as provided in the OPA. The Regents shall not have the right to receive any reimbursement by the Agency for the costs of any infrastructure built for the Expansion Parcels. As mentioned in the recitals, separately, the Primary Developer is responsible under the OPA for constructing all necessary infrastructure to serve the Expansion Parcels from the property line out (i.e. both inward and outward from the curb) and for undertaking any applicable mitigation measures triggered by The Regents’ development of the Expansion Parcels. But, as between The Regents and the Primary Developer, the Agency acknowledges that The Regents shall be responsible for
infrastructure inside the curb. The infrastructure shall be constructed in compliance with (i) the Mission Bay South Infrastructure Plan (as it may be amended in accordance with its terms and consistent with the Interagency Cooperation Agreement, the "Infrastructure Plan"), which is part of the OPA and (ii) the Mission Bay Streetscape Plan. The agreements between The Regents and Catellus provide that if development of the Expansion Parcels by The Regents requires any increase in the sizing of the infrastructure or acceleration in the phasing of the infrastructure beyond what is (as of the date of the MOU contemplated by this Term Sheet) otherwise required under the Mission Bay South Infrastructure Plan, such changes shall not result in any cost to the City or the Agency. The Regents acknowledges that there will be no access to Available Tax Increment (as defined in the OPA) to finance or reimburse any such additional costs. The Regents represents that The Regents has expressly agreed in the Option to Lease (including the Lease and the Option to Purchase, which are exhibits) to compensate the Primary Developer or to contribute extra money to the Agency in an amount sufficient to pay for any such additional infrastructure costs.

b) Mitigation Measures. Without limiting subsection a) above, neither the Agency nor the City, will be responsible for the cost of implementing any mitigation measures relating to Infrastructure or otherwise, that are required under the California Environmental Quality Act ("CEQA") to alleviate any impacts of The Regent's proposed development of the Expansion Parcels (except solely to the extent that the City and Agency are obligated to contribute Net Available Increment under the OPA for Infrastructure.)

c) Special Taxes under CFDs. The Agency has established Community Facilities District No. 5, Mission Bay Maintenance District (the "Maintenance District") and authorized the levy of a special tax in the Maintenance District to pay the cost of ongoing maintenance of parks and open space within the Plan Area, as well as Mission Bay North. The special tax for the Maintenance District is calculated and levied under the Rate and Method of Apportionment dated December 21, 1999. In addition, the Agency has established Community Facilities District No. 6, Mission Bay South Public Improvements District (the "Infrastructure District") and authorized the levy of a special tax in the Infrastructure District to pay the capital cost of Infrastructure within the Plan Area. The special tax for the Infrastructure District is to be calculated and levied under the Rate and Method of Apportionment dated January 5, 2000. The special taxes under the Maintenance District and the Infrastructure District apply to all property in the Plan Area, including the Expansion Parcels, except for Agency Affordable Housing Parcels, open space parcels, City-owned streets and public facilities, the Campus Site and Parcels X3 and X4. Upon Catellus' Transfer of the Expansion Parcels to The Regents, whether by ground lease or otherwise, then, consistent with Section 53317.3 of the California Government Code, the special taxes levied under the Maintenance District and the Infrastructure District shall continue to be levied on the Expansion Parcels and shall be enforceable against The Regents, and
on and after the date of such Transfer UCSF agrees to pay those taxes as and when they become due. The UCSF Affordable Housing Parcel shall not be included in the Maintenance District or the Infrastructure District, and there shall be no special taxes levied under such districts on the UCSF Affordable Housing Parcel.

d) Capital Facilities Fees for Public Utilities. The Regents shall acknowledge that the City, including its Public Utilities Commission, may impose charges for capital expenses, including debt service costs, for existing and new capital facilities serving UCSF facilities so long as the City imposes such fee on a non-discriminatory basis. Those charges may be imposed through monthly volumetric service fees. Subject to the condition set forth in the next sentence, The Regents also shall acknowledge that the City, including its Public Utilities Commission, may impose new capacity fees for water or sewer service, or any other public utility service operated by the City, to serve new facilities developed by UCSF. Consistent with California Government Code Section 54999.3(b), The Regents shall agree to pay any fee so imposed, and any periodic increases in such fees, for any City public utility services that UCSF receives for any of its facilities, whether in the Expansion Parcels, elsewhere in the Plan Area or at any other location in San Francisco, provided that the City imposes such fee on a non-discriminatory basis.

e) Books and Records. The Agency shall maintain at its offices in San Francisco books and records showing its calculation of the amounts that the Agency reimburses the Primary Developer for the cost of the Infrastructure under the OPA and the levy of the taxes on the Expansion Parcels under the CFDs. The Regents, at its expense, shall have the right to examine such books and records or cause such books and records to be audited by an independent certified public accountant at any time during the Agency's normal business hours and upon reasonable prior written notice.

3. Agency Consent to Transfer.

a) Conditions to Consent. In connection with a Transfer of the Expansion Parcels under the Option to Lease between Catellus and The Regents, the Agency agrees to consent to the Transfer and to release Catellus and the Primary Developer from their respective obligations under the OPA with respect to the Expansion Parcels as more fully described in subsection 3b) below, subject to execution and delivery of binding documents as provided in Section 7a) below, including Catellus and the Primary Developer, as applicable, entering into one or more binding agreements with the Agency that amend the OPA as to parcels owned by each and provide as follows (collectively, the "Consent to Transfer"):  

1) Agency Approval of Transfers to Exempt Entities. Catellus, on behalf of itself and its successors, as to the parcels it owns, and the Primary Developer, on behalf of itself and its successors, as to the parcels it
owns, shall each agree that during the Term of the OPA it will not Transfer any other property in the Plan Area or the Mission Bay North Plan Area to any entity for any use that is or could be exempt from property taxation without first obtaining (i) from such tax exempt entity a binding contractual commitment, in form and substance reasonably satisfactory to the Agency and the City, obligating such entity to make a payment in lieu of taxes (PILOT) equal to the full amount of the property taxes that would have been assessed against the property notwithstanding the ownership by a tax exempt entity, or (ii) the written consent of the Agency and the City, in their respective sole discretion. Catellus and the Primary Developer shall include in all agreements for the Transfer of any of their property in the Plan Area or the Mission Bay North Plan Area that are entered into on or after May 11, 2005 (and shall include commercially reasonable and good faith efforts to include in any amendments of any agreements for the Transfer of any property in the Plan Area or the Mission Bay North Plan Area for which the Agency has not received the 10-day notice of a proposed Transfer under section 14.1(e) of the OPA before May 11, 2005), a contractually binding provision requiring that unless the Agency and the City in their respective sole discretion agree otherwise, any such Transferee (or subsequent Transferee of such Transferee) that is a tax-exempt entity enter into a PILOT reasonably satisfactory to the Agency and the City, consistent with the foregoing provisions of this subsection. FOCIL will provide a representation and warranty as to all agreements for the Transfer of any property in the Plan Area or the Mission Bay Plan Area that are in effect before May 11, 2005.

2) Responsibility for Building Infrastructure for the Expansion Parcels. The Primary Developer shall remain liable to the Agency for completing the Infrastructure Improvements associated with development of the Expansion Parcels under the Infrastructure Plan attached to the OPA including the development of Open Space Parcels adjacent to, and/or triggered by, the development of the Expansion Parcels. The Primary Developer shall also be responsible for completing, at The Regents' expense, any increases in the capacity of the Infrastructure that are necessary to accommodate UCSF's uses. Any amendments to the Infrastructure Plan shall be subject to the process for approving changes set forth in the OPA and Interagency Cooperation Agreement. Catellus and FOCIL shall each acknowledge that notwithstanding anything to the contrary in the OPA, neither Catellus, FOCIL nor any successor shall be entitled to Net Available Increment or other reimbursement from the Agency or the City to pay for any costs associated with such changes, except to the extent of immediately available funds paid to the Agency by The Regents for such purpose or in accordance with an amendment to the Infrastructure Plan approved by the Agency and, to the extent required under the
Interagency Cooperation Agreement, by the City, in their respective sole and absolute discretion. Except solely for (i) The Regents' remedy of self help under the Lease and (ii) Catellus' remedy of self help under its agreement with the Primary Developer (the "Infrastructure Side Agreement"), any other assignment or other Transfer of the Primary Developer's obligation to construct the Infrastructure to any other person or entity shall be subject to the approval of the Agency to the extent provided for, and on the terms and conditions set forth, in the OPA. Without limiting the foregoing, any such other transferee must have the experience and the financial wherewithal to complete the Infrastructure Improvements in accordance with the terms and conditions of the OPA, including, the Infrastructure Plan. Solely in the event Catellus exercises its self help remedy in accordance with the terms of the Infrastructure Side Agreement, Catellus shall (i) have the right to take over the construction and be liable to the Agency for completing the Infrastructure Improvements associated with the development of the Expansion Parcels and (ii) be entitled to receive reimbursement directly from the Agency to the extent provided in and on the terms and conditions set forth in the OPA and that certain Acquisition Agreement dated as of June 1, 2001, as amended from time to time in accordance with its terms, until such time as Catellus shall have been fully reimbursed (to the extent it is entitled to reimbursement under the OPA and Acquisition Agreement) for all of the costs incurred as a result of the exercise of such self-help remedy, and thereafter the right to receive any such reimbursement shall revert to the Primary Developer.

3) **Obligation to Provide Affordable Housing Parcel in Developable Condition.** The Primary Developer shall remain responsible for conveying or causing the conveyance of the Agency Affordable Housing Parcel associated with development of market rate housing in the Plan Area, and performing all obligations of the Owner under the OPA in connection with the conveyance of those parcels (including, without limitation, construction of Infrastructure to the perimeter, removal of underground utilities, and performance of investigation and remediation of Hazardous Substances), all in accordance with the OPA and consistent with the environmental Risk Management Plan as it relates to the Agency Affordable Housing Parcel. The Primary Developer shall transfer title to each Agency Affordable Housing Parcel in accordance with the procedures set forth in the Housing Plan. Consistent with the existing OPA, the Primary Developer shall perform – or cause to be performed – mitigation measures, if any, triggered by development of the UCSF Affordable Housing Parcel.

4) **Payment of Agency Costs.** Costs incurred by the Agency and the City Agencies in connection with this Term Sheet and the agreements
contemplated by this Term Sheet, including, without limitation, the MOU, the Affordable Housing Agreements, and the Consent to Transfer, shall be deemed Agency Costs for purposes of the Primary Developer's obligation to reimburse the Agency under Section 6 of the OPA.

b) Release by the Agency. Subject to satisfaction of all of the conditions set forth in subsection a) above and otherwise in this Term Sheet and provided that Catellus has then complied with all obligations then owing to the Agency in connection with the transferred property, and that The Regents, Catellus and the Primary Developer, as appropriate, have duly executed and delivered the binding DDA, MOU, Consent to Transfer and any other agreements, as contemplated by this Term Sheet, then upon the Transfer of the Expansion Parcels by Catellus to The Regents, the Agency shall enter into the Consent to Transfer, which shall unconditionally and irrevocably fully release Catellus and the Primary Developer from the obligations of Owner under the OPA applicable to the Expansion Parcels (except as set forth in subsections a)1-a)3 above), including, without limitation, any obligations (i) under the Program in Diversity/Economic Development, which is Attachment H to the OPA, (ii) under the Transportation System Management Plan, including any obligation to participate in or require its transferees to participate in the Transportation Management Association with respect to the Expansion Parcels,(iii) to cause the Expansion Parcels to be subject to the Master Commercial Declaration, or (iv) to participate in or cause its transferees to participate in the Community Emergency Preparedness Plan described in Attachment L to the OPA.

Without limiting the generality of the foregoing, in the Consent to Transfer the Agency will acknowledge and agree that upon such Transfer becoming effective, neither Catellus nor the Primary Developer shall be liable for any default by The Regents in the performance of its obligations to the Agency or the City with respect to the Expansion Parcels under the agreements contemplated in this Term Sheet, and no default by The Regents with respect to any such obligations shall entitle the Agency to modify or terminate the OPA, or otherwise affect any rights or obligations under the OPA, with respect to any portion of the Plan Area other than the Expansion Parcels.

(Subject to the provisions of this Term Sheet, the form and substance of such release by the Agency set forth in the Consent to Transfer shall be substantially the same as the release contained in the Assignment, Assumption and Release Agreement between the Agency and Catellus in connection with the Transfer to ARE-San Francisco No. 16, LLC, of Blocks 29, 30, 31, and 32, also referred to as the Alexandria II transaction.)

c) Agency's Acknowledgement of No Cross Defaults. Upon the foregoing release of Catellus and the Primary Developer becoming effective, the Agency will acknowledge that The Regents shall not be liable for any default by Catellus or the Primary Developer in the performance of their respective obligations under the OPA and without limiting the foregoing, a default under the OPA by Catellus or any other Transferee shall not entitle the Agency to
modify or terminate the agreements between the Agency and The Regents contemplated by this Term Sheet, or otherwise affect any rights or obligations under such agreements, with respect to the Expansion Parcels.

d) **No Adverse Change on Entitlements for Balance of Plan Area.**

Notwithstanding any approval by the Agency Commission of the Transfer of the Expansion Parcels, none of Catellus, the Primary Developer or any other owner or tenant (that derives its interest through either of them) of the Plan Area or Mission Bay North will lose any of the entitled development potential for the balance of their respective land (excluding the Expansion Parcels) or any of their respective rights and privileges with respect to such land under the OPA with the Agency. Specifically, the Agency Commission's approval of the Transfer consistent with this Term Sheet shall not result in any of the following with respect to balance of the land that is subject to the OPA for the Plan Area and the OPA for Mission Bay North (excluding the Expansion Parcels, the Campus Site, and any other property acquired by The Regents, and also excluding Blocks X3 and X4), and assuming that The Regents comply with the 1,020,000 Floor Rentable Area limitation of development on the Expansion Parcels:

1) Any reduction of the number of market-rate Dwelling Units permitted to be developed in the Mission Bay South Redevelopment Project area below 1,935 plus additional units allowed under Section 3.4.3 of the South OPA, if any;

2) Any reduction of the number of Dwelling Units permitted to be developed in the Mission Bay North Redevelopment Project Area below 2,565 (2,320 market-rate plus 245 Affordable Housing Units), plus additional units allowed under Section 3.4.3 of the North OPA, if any;

3) Any reduction below 190,000 Leasable square feet in the number of square feet of retail uses permitted to be developed in the Plan Area (this figure excludes 40,000 Leasable square feet of retail uses allocated under the Plan and the Option to Lease to the Expansion Parcels);

4) Any reduction below 200,000 Leasable square feet (plus any square footage that can be accommodated on Blocks N1 and N2 by any Available Parking Allocation) in the number of square feet of retail uses permitted to be developed in Mission Bay North;

5) Any reduction below 3,980,000 Leasable square feet in the number of square feet of Commercial Industrial uses permitted to be developed in the Plan Area (such figure excludes X3, X4 and the 1,020,000 Leasable square feet of Commercial Industrial uses allocated under the Plan and the Option to Lease to the Expansion Parcels);
6) Any reduction below 500 in the number of hotel rooms permitted to be developed in the Plan Area; or

7) any reduction in the maximum number of parking spaces permitted on any such property in the Plan Area or Mission Bay North (other than the Expansion Parcels) below that presently permitted under the Mission Bay North Design for Development or the Mission Bay South Design for Development, as applicable (including, but not limited to, any reduction below two parking spaces for each 1,000 square feet of gross floor area for up to 1,734,000 square feet of gross floor area of life sciences, biotechnology, biomedical, or similar research facility uses within the Plan Area.

8) Any reduction in the number of the Agency Affordable Housing Units that may be developed as of the date of this Term Sheet in Mission Bay North under the Mission Bay North OPA, or in the Plan Area under the OPA. (The parties acknowledge that the Affordable Housing Project applies towards this unit count.)


1) **Air Quality, Transportation System Management.** UCSF operates its own Transportation Demand Management program to reduce the number of single occupancy vehicles trips at its campus sites. UCSF intends to extend that program to development of the Expansion Parcels, as contemplated by the EIR for LRDP Amendment #2. The Agency acknowledges that in approving the Redevelopment Plan, the City and the Agency found that The Regents had adopted a Transportation Demand Management program as Measure 12C4-1 in its LRDP Findings, that such measure is substantially similar to FSEIR Measure E.47 (which is the Transportation Demand Management program the City and the Agency required as described in the Mitigation Measures attached to the South OPA), and that FSEIR Measure E.47 did not apply to The Regent's development of the Campus Site. In light of the foregoing, the Agency acknowledges that UCSF's Transportation Demand Management program for the Expansion Parcels is an appropriate factor to consider in future CEQA findings that may be adopted in the future for any approvals required in connection with the final agreements or actions contemplated by this Term Sheet.

2) **Traffic, 16th and Owens Streets.** Mitigation Measure 4.11-2a and Mitigation 4.11-2e in the LRDP Amendment #2 DEIR call for coordinating with the City to modify a Mission Bay FSEIR mitigation measure at this intersection to mitigate a significant impact identified in the LRDP Amendment #2 DEIR that is different from the intersection impact identified in the Mission Bay FSEIR. The DEIR
concludes that while the measure, which is a lane reconfiguration, is feasible, it cannot implement the measure without the City's consent and, therefore, the measure is infeasible. If this mitigation measure is triggered by The Regents' development and the City determines that it is otherwise feasible, the City will consent to The Regents' undertaking this lane reconfiguration, at no cost to the City.

3) Traffic, Mariposa and 3rd Streets. Mitigation Measure 4.11-2b in the LRDP Amendment #2 DEIR calls for coordinating with the City to provide an additional southbound exclusive right-turn lane of a minimum 50 foot length on 3rd Street at the intersection of Mariposa Street to mitigate a new impact at this intersection that was not identified in the Mission Bay FSEIR. The new lane configuration could be accomplished by constructing the lane within UCSF property located to the west of 3rd Street. The DEIR concludes that the mitigation measures is of uncertain feasibility because it is not known whether the 12 x 50 feet of land needed for the lane could be dedicated by UCSF and UCSF would need the City's approval to implement the measure. The City will agree that if this mitigation measure is triggered by The Regents' development, and assuming The Regents acquires the necessary land and the City determines that the measure is otherwise feasible, the City will accept dedication of additional land to allow The Regents to construct the lane at the appropriate time, provided the street is built to City standards, at no cost to the City.

4) Noise. The Regents shall comply with the City's noise ordinance in undertaking construction on the Expansion Parcels.

f) Maximum Development of Expansion Parcels; Definition of Floor Area. The Regents shall not construct more than 1,020,000 of Floor Rentable Area on the Expansion Parcels during the term of the Redevelopment Plan. Furthermore, the Agency shall not consent to development on the Expansion Parcels by The Regents (to the extent the Agency has any such rights) in excess of such amount, or that would result in any adverse change described in subsection d), without in each case obtaining the written consent of the Primary Developer. The Regents' development of the Expansion Parcels shall be measured by applying the definition of "Floor Rentable Area" as defined in the 1996 Building Owners and Managers Association International publication "Standard Method for Measuring Floor Area in Office Buildings" to all development on the Expansion Parcels, including hospital uses, and each reference to "Leaseable square feet" shall equate to each reference to "Floor Rentable Area".

g) Tax Allocation Debt Promissory Note. In connection with the closing of the Transfer to The Regents of the Expansion of Parcels, The Regents shall not be required to deliver a Tax Allocation Debt Promissory Note to the Agency. But if the OPA and other Plan Documents spring back in the future as
described in Paragraph 4 below then at such time the Owner of the Expansion Parcels, or portion of the Expansion Parcels that is subject to the OPA and Plan Documents, shall furnish a Tax Allocation Promissory Note to the Agency consistent with the Financing Plan.

4. Suspension of Redevelopment Plan, OPA and Other Plan Documents; Springing Back of Plan Documents Upon Transfer for Non-UCSF Use.

Upon the Transfer of the Expansion Parcels to The Regents consistent with the terms and conditions of this Term Sheet, the parties acknowledge that the effect of the Plan, OPA and other Plan Documents will be suspended as to the Expansion Parcels, and will not apply to the Expansion Parcels for any use that is in furtherance of the educational purposes of UCSF consistent with the mission of The Regents under the State Constitution. But should The Regents or any successor at any time or from time to time during the term of the Redevelopment Plan, either engage in any use, or Transfer all or any portion of the Expansion Parcels to any entity for any use, that is not in furtherance of such purposes (other than customary retail uses incidental to The Regents’ permitted clinical uses, including, but not limited to, use as a pharmacy, for sale of sundries, or for casual dining establishments), then the Redevelopment Plan, OPA and other Plan Documents shall apply to such property until the Redevelopment Plan expires during such period that the property is used for a purpose that is not constitutionally exempt from local land use regulation. In addition, should The Regents or any successor, at any time or from time to time after the Redevelopment Plan expires, either engage in any use, or Transfer all or any portion of the Expansion Parcels to any entity for any use, that is not in furtherance of educational purposes of UCSF consistent with the mission of The Regents under the State Constitution (other than certain retail uses as provided above), then local planning regulations shall apply to such property during such period that the property is used for a purpose that is not constitutionally exempt from local land use regulation. In any event, such suspension of the Plan Documents and local planning regulations will not apply to any property that the City may use for SFGH if co-location occurs as further provided below. None of the provisions relating to the suspension of the Plan Documents or local land regulations, or the reimposition of the Plan Documents and local regulations as provided above, shall be deemed to affect in any way any determination about whether or not a particular use of the Expansion Parcels is exempt from property taxes or any other state or local tax or similar imposition.

5. Potential Co-Location with SFGH or Other Cost Saving Improvements.

UCSF and SFGH acknowledge that co-location of new UCSF hospital facilities on the Expansion Parcel and a new SFGH on adjoining land may afford significant benefits to each of them in terms of enhanced patient care, and may provide direct economic benefits to the City in light of the tax increment that may be lost through the Transfer of the Expansion Parcels to The Regents. While not committing to co-location, and subject in any event to the provisions of Section 9b below regarding CEQA review and the reservation of discretion, the parties agree to explore co-location as a possible alternative on the following terms and conditions:
a) **Planning Costs.** Until the deadline set forth in Section 7b) below for the City to decide to pursue the alternative of co-location, or such additional period as The Regents and SFGH may mutually agree, The Regents shall be responsible for reasonable costs associated with physical site planning to explore the possibility of co-locating UCSF facilities with SFGH on land in the Plan Area outside of the Campus Site. Such planning shall be done on a collaborative basis between UCSF and SFGH. To the extent reasonably possible, The Regents shall coordinate with SFGH the preparation of such studies and other work, and shall share the studies and relevant documents and information with SFGH. Notwithstanding anything to the contrary in this Term Sheet, the provisions of this subsection are intended to be binding on The Regents.

b) **Co-Location.** In collaboration with UCSF, the City intends to examine the option of co-location to determine whether the City should pursue that option for SFGH. As previously mentioned, co-location provides the opportunity for various efficiencies and cost savings for both SFGH and UCSF. For example, and not by way of limitation, UCSF may construct, for a relatively small marginal cost to UCSF, additional generation facilities and specimen and pathology lab facilities, which can serve SFGH and City physicians as well as UCSF. The capital and operational cost savings to the City from UCSF’s doing so could be substantial. If the City decides to proceed with co-location, the City shall use its best efforts to submit a general obligation measure to the voters by the outside date for that action set forth in Section 7b) below, allowing for the alternative that SFGH may be rebuilt in the Plan Area.

c) **Other Means of Collaborative Cost Saving Measures.** If either the City or The Regents decide not to co-locate SFGH with new UCSF medical facilities in the Plan Area, then the City, through the Department of Public Health, and UCSF shall negotiate in good faith a specific plan of improved collaboration at SFGH with UCSF. Such plan shall be consistent with guiding principles to be jointly agreed to by SFGH and The Regents.

d) **No Merger.** The parties acknowledge that SFGH will not merge with UCSF.

e) **Land Conveyance.** Nothing in this Term Sheet shall be deemed to obligate The Regents to convey any land within the Expansion Parcels or elsewhere to the City for collocation with SFGH. Should the parties wish to pursue collocation, the terms of any such land conveyance shall be in their respective sole discretion.

6. **Cooperation in UCSF Land Use Planning for Development of Expansion Parcels and Other Possible Expansion Parcels.**

   a) **Agency Design Review and Consultation; Design Standards.** The Regents will work cooperatively with the Agency and the City regarding land use and planning issues on the Expansion Parcels (and on the Other Possible Expansion Parcels, if any), to assure that the mutual interests of UCSF, the
Agency and the City are addressed, as further provided in Attachment 2 to this Term Sheet. UCSF shall endeavor to design and develop each project on the Expansion Parcels (and the Other Possible Expansion Parcels, if any) to substantially conform in all material respects with the Design Standards described in Attachment 3 to the Term Sheet, to preserve and enhance elements of the Mission Bay South Plan, as further provided in such attachment.

b) **Planning MOU.** Without limiting the foregoing, UCSF shall abide by the provisions of the 1987 MOU, providing for improved communications between UCSF and the City, including meetings, written advice on planning, opportunity for City hearings and comment, consultation and dispute resolution.

c) **Streets and Streetscape; Signage; Other.** Notwithstanding anything to the contrary in this Term Sheet, UCSF shall adhere to the layout of public streets set forth in the Redevelopment Plan (including Owens, Third, Fourth, Sixteenth and Mariposa Streets), and, as to the design and development of streetscape associated with the Expansion Parcels (including, without limitation, sidewalks, street furniture, planting, paving, furnishings, signage and lighting), UCSF shall agree to abide by the Mission Bay South Streetscape Plan, dated December 15, 1999, as approved by the Agency Commission on January 13, 2000 by Agency Commission Resolution No. 006-2000. Further notwithstanding anything to the contrary in this Term Sheet, UCSF shall, with respect to its development on the Expansion Parcels, abide by the Mission Bay South Signage Master Plan, adopted on June 27, 2000 by the Agency, Agency Resolution No. 101-2000. Finally, the final MOU (as defined below) shall contain such other binding limitations for development of the Expansion Parcels as the parties may mutually agree.

7. **Final Documents; Schedule of Actions.**

a) **Documents.** The primary final documents that this Term Sheet contemplates are as follows:

1) **DDA, Grant Deed and Declaration of Restrictions.** The DDA between the Agency and The Regents, and the accompanying Grant Deed and Declaration of Restrictions with respect to sale by the Agency to The Regents of the UCSF Affordable Housing Parcel and the obligation of The Regents to build and maintain the Affordable Housing Project, as provided in Section 1 of this Term Sheet (collectively, the "Affordable Housing Agreements").

2) **Memoranda of Understanding.** One or more Memoranda of Understanding between the Agency and The Regents implementing the provisions of this Term Sheet relating to UCSF's development of the
Expansion Parcels, including Sections 2, 4, 6 and 8 (collectively, the "MOU").

3) **Consent to Transfer.** The Consent to Transfer between the Agency on the one hand, and Catellus and FOCIL on the other hand, as provided in Section 3 of this Term Sheet.

b) **Schedule of Actions.** Without limiting Section 9b below with respect to any required CEQA review and the reservation of discretion in making decisions, the schedule attached as Attachment 5 summarizes the projected schedule under which the Agency, UCSF, The Regents and City agencies would endeavor to negotiate the final agreements described in subsection a) above and consider the transactions contemplated by this Term Sheet. In general, the required actions and approvals fall into two categories: (1) actions required for the Transfer of the Expansion Parcels; and (2) actions required for co-location of SFGH and UCSF hospital facilities.

8. **Work Force Opportunities.**

a) **Commitment to Diversity and Equal Opportunities.** UCSF has identified as one of its goals and objectives in its 1996 Long Range Development Plan the maintenance and promotion of diversity in the UCSF work force. As part of its goal of achieving diversity in the UCSF workforce, UCSF has stated the goal of establishing a strong, results-oriented affirmative action plan that includes the promotion of purchasing from and contracting with minority, women-owned and disadvantaged businesses, hiring and contracting with community residents, and promoting diversity in UCSF’s faculty, students and staff. In addition, another identified goal is the coordination of hiring programs with community employment and job training programs, labor unions, and local high schools and colleges. UCSF will make good faith efforts to ensure that minority- and women-owned businesses have the opportunity to compete for contracts with UCSF, including advertising contracting opportunities. Although UCSF’s current programs will change over time in response to changing conditions in the community, the makeup of target populations and UCSF policy, UCSF remains committed to the goals of promoting diversity and benefits for local residents and businesses in its employment and contracting practices. The Regents will continue to comply with the affirmative action requirements imposed upon The Regents as a federal contractor under Executive Order 11246.

b) **Local Hiring.** The LRDP for UCSF approved by The Regents includes Goals and Objectives that call for UCSF to maximize the economic benefits for residents and businesses adjoining the existing campus site and any new site. Accordingly, for any development on the Expansion Parcels and the Possible Additional Expansion Parcels, and for development of the Affordable Housing Project, UCSF will make good faith efforts to hire and contract with community residents for construction and permanent jobs. UCSF currently has in place the UCSF Community Construction Workforce Program, which creates a mechanism to
ensure that community groups' work with building contractors to maximize the number of local residents hired for construction jobs at UCSF Mission Bay and other major campus projects. UCSF has also established The Community Outreach Internship Program in partnership with Florence Crittenden Services, a Western Addition program for young, single mothers. The program involves a five-month paid internship at UCSF in an administrative position with the goal of preparing participants for permanent employment at UCSF or elsewhere. Finally, the Community Employment in the Bioscience Industry ("CEBI") is a partnership with Young Community Developers, Inc., and is funded by the UCSF Office of Research Services. CEBI is a pilot program that trains participants in the skills necessary to work in bioscience research laboratories at UCSF or in the private sector. UCSF also participates in existing programs such as the Business Development Seminar, in which 52 businesses from the southeast sector of San Francisco participated, and the Business Outreach Pilot Project, in which businesses from the southeast sector of San Francisco are provided access to opportunities and resources that increase their ability to contract with UCSF. UCSF has entered into a Memorandum of Understanding (December 1, 1999) with Young Community Developers, Inc. to make an effort to increase the utilization of the San Francisco resident workforce on UCSF construction projects. UCSF intends to use for development of the Expansion Parcels the same local hiring programs it then has in place for the Campus Site.

c) Prevailing Wages for Construction Projects. The Regents agrees to pay prevailing wages consistent with its policies, for all of its development on the Expansion Parcels, UCSF Affordable Housing Parcel and the Other Possible Expansion Parcels.


a) Mutual Cooperation. Subject to the terms and conditions set forth in this Term Sheet, the parties shall reasonably cooperate with each other to achieve the objectives set forth in this Term Sheet.

b) CEQA. While this Term Sheet summarizes certain essential terms of the proposed Affordable Housing Agreements, MOU and Consent to Transfer and any other related transaction documents it does not set forth all of the material terms and conditions of those documents. Except as otherwise expressly provided in Section 5a) above, this Term Sheet is not intended to be, and will not become, contractually binding on the City, the Agency, and The Regents, and no legal obligation will exist unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the CEQA environmental review process and on other public review and hearing processes and subject to all applicable governmental approvals. The City, the Agency and The Regents retain the absolute discretion before action on the project by the Board of Supervisors, the Public Health Commission, the Agency Commission, The Regents or any other government agency, as applicable, to (i) make such modifications to the transaction documents, and the project as may
be necessary to mitigate significant environmental impacts, (ii) select other feasible alternatives to avoid significant environmental impacts, (iii) balance the benefits against any significant environmental impacts before taking final action if such significant impacts cannot otherwise be avoided, or (iv) determine not to proceed with the project. If as a result of the environmental review or other public approval process there are any proposed material modifications to the transaction documents or the terms described in this Term Sheet that are not acceptable to the parties in their respective sole discretion, then there shall not be deemed to be any understanding of the parties to proceed with the project under the principles outlined in this Term Sheet.

Read and approved by:

CITY:

______________________________ Date: __________, 2005
Mayor Gavin Newsom
City and County of San Francisco

______________________________ Date: __________, 2005
Dr. Mitch Katz, Director of Public Health
San Francisco Public Health Commission

AGENCY:

______________________________ Date: __________, 2005
Marcia Rosen, Executive Director
San Francisco Redevelopment Agency

Endorsed by Agency Commission Resolution No. __________

THE REGENTS:

______________________________ Date: __________, 2005
By ____________________________
Its ____________________________
ATTACHMENT 1

LAND USE MAP
ATTACHMENT 2

DESIGN REVIEW AND CONSULTATION PROCESS
FOR THE REGENTS' DEVELOPMENT OF THE EXPANSION PARCELS

In developing a use program for the Expansion Parcels, and in designing and developing any improvements to be built on the Expansion Parcels, UCSF shall observe the following process.

1. Design Consultation.

UCSF shall provide the Agency and members of the local community the opportunity to review the design of the exterior of the improvements to be built on any of the Expansion Parcels, and the overall site plan for the Expansion Parcels. The review of the site plan will include, but not be limited to, the street grid and circulation, and their relationship to the urban physical design and urban planning objectives for the area as the Expansion Parcels are developed. The Agency and UCSF shall cooperate in a timely manner in the development of the design. UCSF shall assure that this review and related design development consultations take place before decisions by The Regents on the design matters under review. The Agency acknowledges that the interior design of the improvements will be outside the scope of any Agency review.

2. Method of Consultation.

(a) Pre-Design Discussions. UCSF and the Agency shall have pre-design discussions to review the urban design goals for the Expansion Parcels. UCSF shall conduct at least one pre-design public meeting to gather input from the local community. In carrying out its project design for improvements on the Expansion Parcels, The Regents shall consider the comments provided by the local community and the Agency during the pre-design discussions and public meeting(s).

(b) Review of Plans. During the design development process, UCSF shall provide the Agency the opportunity to meet periodically with UCSF and its designers to comment on the design of the improvements and the overall site plan. The San Francisco City Planning Department and other appropriate City Departments may also participate in reviewing design and providing comments during any such period, provided that the Agency assumes responsibility for securing timely comments and coordinating any responses. Throughout the design development stage, UCSF shall provide the Agency copies of, or reasonable access to, design documents for the project, including, without limitation, sit
and building plans and schematic drawings. UCSF shall provide the Agency with copies of all design documents provided to The Regents at the same time as they are sent to The Regents. UCSF shall also send directly to the Agency copies of all environmental review documents, including, by way of example only, any environmental impact report(s) and responses to comments, at the same time as UCSF makes any such documents available to the public.

(c) Citizen’s Advisory Committee. In addition to UCSF’s regular public participation program through its Community Advisory Group (“CAG”) UCSF and the Agency shall use the Mission Bay Citizen’s Advisory Committee (“CAC”), or any successor advisory body established by the City, as an ongoing forum for public design presentations and general public design comments. The CAC will have the opportunity to view the plans periodically during the conceptual and design stage and once during the design development stage and to provide comments.

(d) Design Presentation Public Hearing. When UCSF has developed the project design concept package sufficiently, as described below, UCSF shall present the design to the Agency Commission at one or more public meetings, which must occur before final design decisions by The Regents on the concept package. The Agency Commission shall have the opportunity to offer comments on the design and to hear comments from the public. Before the presentation to the Agency Commission, UCSF shall provide to the Commission a concept package generated by UCSF’s architect(s). The concept package shall include (1) overall site plans, including the street grid and circulation, showing relationships of buildings, open space, walks, streets, parking areas, landscaping and points of pedestrian and vehicular access; (2) building plans, including elevations, sections and renderings sufficient to indicate architectural character and proposed materials for the exterior and public areas; (3) perspective sketches at eye level showing architectural character and relationships to streets and adjacent buildings; (4) diagrams showing height relationships to surrounding buildings and, if the proposed height and/or massing exceeds that provided for by the Design Standards shown in Attachment 3, a shadow analysis showing the effect of the excess height and/or massing on areas within the Plan area designated as Public Open Space in the Mission Bay South Land Use Plan; (5) narrative statements or illustrative materials explaining building sizes, numbers of interior and exterior parking spaces, proposed uses at street level, and descriptions of any community spaces and publicly-accessible areas; (6) wind studies or analyses if buildings with a parapet height greater than 100 feet in height are proposed; and (7) any other appropriate design documents reasonably required to illustrate the architectural character together with the project’s relationship to
the surrounding environment. The Agency Commission shall make its best efforts to hold the public meeting within thirty (30) days of the submission of the concept package by UCSF to the Agency.

(e) **Due Consideration of Timely Submitted Comments.** UCSF shall consider all written or recorded comments submitted in a timely manner by the Agency, the City and the public. The Agency understands that time is of the essence and agrees, for itself and any comments that it may be collecting from San Francisco City Departments, to submit all comments in a timely manner.

3. **Design for Development and Decision-Making Authority.**

The Regents shall have the sole discretion to select the program for and make design decisions with respect to the improvements for the Expansion Parcels, so long as the uses of the improvements are exclusively in furtherance of the educational purposes of UCSF consistent with the mission of The Regents under the State Constitution. The parties acknowledge that the integration of each project built on the Expansion Parcels into the street grid and surrounding community is a matter of particular importance to the Agency and to the overall success of revitalization of the larger Plan Area under the Redevelopment Plan. Accordingly, UCSF shall endeavor to design and develop each such project to substantially conform in all material respects with the Design Standards described in Attachment 3 to the Term Sheet, to preserve and enhance elements of the Mission Bay South Plan. If UCSF wishes to design and develop any project in a manner that does not comply in all major respects with the Design Standards, The Regents shall notify the Agency in advance of the proposed changes and the reasons for them, and The Regents and the Agency shall meet and confer to attempt to agree upon modified design standards that will permit the development of the project as designed by The Regents. If The Regents and the Agency are unable to agree upon such modified design standards, The Regents shall have the right to design and develop the project without complying with the Design Standards, subject to compliance with the limits provided for in Section 6c) of the Term Sheet.

4. **Co-Location.**

If there is any agreement in the future between the City and The Regents to co-locate SFGH with UCSF facilities, then the above described design process shall be modified to allow for the City's Public Health Commission to approve those elements of the design that relate to joint use facilities and any portion of the UCSF site plan that would significantly affect the location of, or cost of constructing, SFGH facilities.

5. **Other Possible Expansion Parcels.**
The foregoing principles governing the design review and consultation process for the Expansion Parcels shall also apply to development by The Regents on the Other Possible Expansion Parcels, if any.
ATTACHMENT 3

DESIGN STANDARDS FOR EXPANSION PARCELS

AND OTHER POSSIBLE EXPANSION PARCELS

As provided in the Section 6a) of the Term Sheet and section 3 of Attachment 2 to the Term Sheet, UCSF shall endeavor to design and develop each project on the Expansion Parcels to substantially conform in all material respects with the Design Standards described below, to preserve and enhance elements of the Mission Bay South Plan. If UCSF wishes to design and develop any project in a manner that does not comply in all major respects with the Design Standards, The Regents shall notify the Agency in advance of the proposed changes and the reasons for them, and The Regents and the Agency shall meet and confer to attempt to agree upon modified design standards that will permit the development of the project as designed by The Regents. If The Regents and the Agency are unable to agree upon such modified design standards, The Regents shall have the right to design and develop the project without complying with the Design Standards, subject to the binding limits provided for under Section 6c) of the Term Sheet. The parties shall consider including in the final MOU any appropriate modifications to these standards for development of the Expansion Parcels consistent with UCSF's LRDP Amendment #2, including any required amendments to the Mission Bay South Design for Development of such parcels.

For these purposes, developable area means all land within the Expansion Parcels except for public streets and sidewalks, public open space and view corridors, as defined by the street grid under the Plan Documents.

1. **Building Heights.**
   a. Building heights shall be generally consistent with the City's Mission Bay South Redevelopment Project Design for Development guidelines.

2. **Building Bulk.**
   a. Building bulk within the Expansion Parcels shall be generally consistent with the Mission Bay South Redevelopment Project Design for Development guidelines.

3. **Building Setbacks.**
   a. Building setbacks shall be required along the streets as provided in the Mission Bay South Design for Development as of January 1, 2005. But buildings may be set back to create internal circulation routes within the blocks.
b. No portion of any building shall encroach on the setback areas except for:

(i) Projections such as cornices, eaves, sills, belt courses, sun screening devices, lighting fixtures, security cameras, bay windows, balconies, decks and similar features providing a minimum of eight feet of vertical clearance from the sidewalk or other surface above which it is situated, and not projecting more than three feet into setback areas;

(ii) Awnings or canopies;

(iii) Landscaping and landscaping elements such as planters, sculptures, water features and street furniture; and

(iv) Below-grade utilities, sewer and storm drain systems and utility vaults.

4. View Corridors.

a. View corridors shall be defined by the Mission Bay Street Grid as shown in the Mission Bay South Design for Development as of January 1, 2005.

b. No building or portion thereof shall block the view corridors, except for projections such as cornices, eaves, sills, belt courses, sun screening devices, lighting fixtures, security cameras, bay windows, balconies, decks, awnings or canopies and similar features providing a minimum of eight feet of vertical clearance from the sidewalk or other surface above which it is situated, and not projecting more than three feet over streets and public open spaces, except as otherwise provided in Section 7 below.

5. Parking. The Mission Bay Subsequent Environmental Impact Report (SEIR) assumed and analyzed 1,130 parking spaces for the Expansion Parcels and 5,300 parking spaces for the Campus Site, yielding a combined total of 6,430 spaces. Parking for the Expansion Parcels and the Campus Site shall not exceed the combined total of 6,430 spaces, unless The Regents finds that environmental review demonstrates that additional parking would not result in new or greater significant effects than those identified in the SEIR, which cannot be fully mitigated.

6. Loading. Loading docks and refuse storage areas shall be screened from public view.

7. Streetscape. UCSF shall adhere to the layout of public streets set forth in the Redevelopment Plan (including Owens, Third, Fourth, Sixteenth and Mariposa Streets), and, as to the design and development of streetscape associated with the Expansion Parcels (including, without limitation, sidewalks, street furniture, planting, paving, furnishings, signage and lighting), UCSF shall agree to abide by the Mission Bay South Streetscape Plan, dated December 15, 1999, as approved by the Agency Commission on January 13, 2000 under Agency Commission Resolution No. 006-2000.

9. **Other Possible Expansion Parcels.** The foregoing principles governing the design standards for the Expansion Parcels shall also generally apply to development by The Regents on the Other Possible Expansion Parcels, if any, all as will be further provided in the final MOU.
LOCATION OF

UCSF AFFORDABLE HOUSING PARCEL
ATTACHMENT 5

SCHEDULE OF ACTIONS

The parties to this Term Sheet shall use their good faith efforts to meet the following schedule of actions and matters to consider:

1) Transfer of the Expansion Parcels:
   
   - By May 17, 2005, Agency Commission will consider whether to endorse the Term Sheet.
   
   - By May 26, 2005, The Regents will consider whether to approve the transactions contemplated by this Term Sheet.
   
   - By August 31, 2005, UCSF and Agency staff will negotiate a proposed MOU consistent with Sections 2, 4, 6 and 8 of this Term Sheet and the Affordable Housing Agreements.
   
   - By August 31, 2005, Catellus, FOCIL and Agency staff will negotiate a proposed Consent to Transfer and Release Agreement, amending the OPA, under which the Agency shall consent to the Transfer and release Catellus and FOCIL of their respective obligations under the OPA applicable to the Expansion Parcels (consistent with the conditions set forth in the Term Sheet), subject to approval of the Agency Commission, and Catellus and FOCIL shall agree as provided in Section 3 above.
   
   - By September 30, 2005, the Agency Commission will consider approving the Consent to Transfer, the MOU and the Affordable Housing Agreements, and if approved, direct the implementation of such agreements.
   
   - By September 30, 2005, The Regents will consider approving the MOU, Affordable Housing Agreements and any other final agreements, if any such subsequent approvals of The Regents are required.
   
   - By September 1, 2005, the City will consider any approvals, if any are then required, to consummate the transactions and agreements contemplated by this Term Sheet.
• Following all applicable approvals, by September 30, 2005, the Agency and The Regents will enter into the Affordable Housing Agreements and the MOU, which shall become legally binding.

• Subject to execution of the MOU and the Affordable Housing Agreements as mentioned above, by September 30, 2005, the Agency and Catellus and FOCIL will enter into the Consent to Transfer, which shall become legally binding.

• By December 31, 2005, the closing of the Transfer of the Expansion Parcels will occur, provided that such closing may not take place until all of the foregoing conditions are satisfied, including full execution and delivery of the final Consent to Transfer, MOU and Affordable Housing Agreements.

2) Co-Location:

• By July 31, 2005, UCSF and the City will attempt to complete such studies as may be necessary to allow SFGH to evaluate the option of co-location, consistent with Section 5a) of this Term Sheet.

• By January 1, 2006 the City and The Regents will decide, by written notice to The Regents and the City, respectively, whether or not it intends to pursue the option of co-location, provided that the parties may mutually agree to extend that date and the following schedule. The Regents will consider in good faith a request by the City to extend such dates if the State Legislature amends the deadlines applicable to SFGH under the Alquist Act, provided that the City makes such request by July 1, 2005.

• If the City and The Regents decide to proceed with co-location, by the deadline established by the Clerk of the Board for submission of general obligation bond measures for the June 2006 primary election or the November 7, 2006 election, as applicable, the City will submit the SFGH bond measure to the voters for approval at the election.

• By November 7, 2006, the voters of San Francisco will consider approving the bond financing of improvements to SFGH, which would allow for possible co-location in the Plan Area.

• By November 2006, UCSF will consider certifying a project EIR for the development of hospital facilities on the Expansion Parcels if based on the co-location studies UCSF and SFGH wish to co-locate and the bond measure referred to above has passed.
• By July 31, 2007 the City and The Regents will negotiate an MOU or other appropriate definitive agreement(s) providing for co-location (the "Co-Location Agreement").

• By July 31, 2007, the City will execute an acquisition agreement or binding option to purchase with FOCIL or the owners of additional land needed for SFGH.

• By July 31, 2007 the City's Health Commission and Board of Supervisors will consider approving the Co-Location Agreement.

• By September 30, 2007, The Regents will consider approving the Co-Location Agreement.

• By September 30, 2007, the Agency and the City shall consider approving any appropriate amendments to the Redevelopment Plan, and the City's General Plan, to allow for development of SFGH facilities in the Plan Area.

• By September 30, 2007, The Regents will have approved any necessary amendments to the Long Range Development Plan to provide for expansion of hospital facilities in the Plan Area and for co-location with SFGH.