RESOLUTION NO. 176-2005

Adopted November 1, 2005

APPROVING A MEMORANDUM OF UNDERSTANDING WITH THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, A CALIFORNIA PUBLIC CORPORATION, AND ACKNOWLEDGING THE EXECUTIVE DIRECTOR'S FINDINGS OF CONSISTENCY WITH THE MISSION BAY SOUTH REDEVELOPMENT PLAN, FOR THE EXPANSION OF UCSF FACILITIES IN THE MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA; MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

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

2. On November 2, 1998, the Board of Supervisors of the City and County of San Francisco (the "Board") by Ordinance No. 335-98 approved and adopted the Redevelopment Plan for the Mission Bay South Redevelopment Project Area (the "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 Owner's obligations to deliver to the Agency affordable housing sites as market rate housing is built in the Project Area. They also include the Owner'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 the related Mission Bay South Tax Increment Allocation Pledge Agreement (the "Pledge Agreement"), dated as of November 16, 1998, between the Agency and the City and County of San Francisco (the "City"), 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 Owner, 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 (the “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, a California public corporation ("The 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 (the “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 (the “Project”) and certified a related final environmental impact report (the “LRDP #2 FEIR”) which analyzed the environmental effects of the proposed UCSF development on the Expansion Parcels. Copies of the LRDP #2 FEIR are on file with the Agency Secretary.

10. The Owner 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) the Owner 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.

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 (“CEQA”), 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. Pursuant to Section 302 of the Plan, the development of the contemplated UCSF facilities on the Expansion Parcels is permitted as a subset of “Other Uses” as a secondary use. Such secondary uses are permitted provided that such use generally conforms with redevelopment objectives and planning and design controls established pursuant to the Plan and based on certain findings of consistency by the Agency’s Executive Director (the “Consistency Findings”). The Executive Director has made the Consistency Findings, and such findings are hereby incorporated herein by this reference as if fully set forth.

13. The City must make substantial improvements to San Francisco General Hospital (“SFGH”) 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.

14. 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.

15. The Agency, City and The Regents negotiated a non-binding term sheet to guide the preparation of final transactional and related documents, such as a Disposition and Development Agreement (“DDA”) for The Regents to acquire property for, and to construct and subsidize, affordable housing for low-income workers of UCSF, which DDA is being considered by the Agency Commission concurrently with this Resolution, pursuant to Resolution No. 160-2005, and provided terms for a Memorandum of Understanding regarding design standards and cooperation on the development of the Expansion Parcels (the “MOU”). The Agency Commission approved the non-binding term sheet on May 17, 2005 by Resolution No. 81-2005.

16. The proposed MOU 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 potential assistance of UCSF in the planning of the co-location, if any, of SFGH 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.

17. Agency staff is recommending that the Agency Commission approve the MOU, and the associated Consistency Findings.

18. The Agency Commission has reviewed and considered the information contained in the LRDP #2 FEIR.

19. The Agency Commission hereby finds that the MOU is an action in furtherance of the implementation of the Project for purposes of compliance with CEQA.

20. By Resolution 175-2005, the Agency Commission adopted environmental findings related to the LRDP #2 FEIR, pursuant to CEQA and the CEQA Guidelines (the “Findings”). Such Findings are made pursuant to the Agency’s role as the responsible agency under CEQA for the Project. The Findings are hereby incorporated herein by this reference as if fully set forth.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the findings of consistency with the Mission Bay South Redevelopment Plan are approved and the Executive Director is authorized to execute the “Expansion of UCSF Facilities in Mission Bay South Redevelopment Project Area (Blocks 36-39) Memorandum of Understanding”, substantially in the form lodged with the Agency General Counsel; Mission Bay South Redevelopment Project Area.

APPROVED AS TO FORM:

[Signature]
James B. Morales
Agency General Counsel