INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Informational Memorandum on the University of California, San Francisco’s (UCSF) Long Range Development Plan (LRDP) for the UCSF Mission Bay campus; Mission Bay South Redevelopment Project Area.

EXECUTIVE SUMMARY

The University of California, San Francisco ("UCSF") is a tax-exempt entity that is the second largest employer in San Francisco with significant land holdings in the Mission Bay South Redevelopment Project Area. The Mission Bay UCSF holdings include the original 43-acre campus that was donated to UCSF by the City of San Francisco and Catellus Development Corporation ("Catellus" the original Mission Bay Master Developer), and a 14-acre medical center that is located on land UCSF acquired from Catellus and several other property owners after the Mission Bay South Redevelopment Plan was adopted. UCSF is undertaking an update to its Long Range Development Plan ("LRDP"), the planning document that guides the physical development of the university. The draft LDRP has been released for public review and addresses future growth anticipated at all UCSF sites, including the Mission Bay campus. UCSF will be releasing the environmental impact report ("EIR") for the LRDP in late summer, with adoption of the LRDP in late 2014 or early 2015.

DISCUSSION

Development of UCSF’s facilities is guided by the LRDP. The LRDP is the document that guides physical development for UCSF properties for a 15-20 year period. The current LRDP was originally adopted in 1997 and has been amended to reflect individual changes in land use. However, for the first time since 1997, UCSF is completing a comprehensive update to its LRDP. The draft LRDP is available for public review and comment at: www.ucsf.edu/LRDP. The draft LRDP is substantially the same plan as was presented to the Commission at a workshop on August 20, 2013.

The LRDP addresses seismically challenged buildings, optimizes the use of existing campus sites, provides flexibility to accommodate growth through 2035, articulates a strategy for leased and remote locations, and responds to environmental sustainability and Climate Action Plan goals. The EIR will be released in late summer 2014 with the final LRDP is anticipated to be
adopted by UCSF in late 2014 or early 2015. The LRDP process includes a significant community involvement process, including numerous meetings hosted by UCSF in Mission Bay.

**General UCSF Background**

UCSF is a leading public medical research, teaching, and clinical institution and is the second largest employer in San Francisco. It has 24,500 full and part time staff, as well as 2,790 students and 1,100 post-doctoral scholars. The entire UCSF campus includes 198 acres of land, of which 61 acres are open space reserve, and has 8 million square feet of property, owned and leased. UCSF estimates that it produces an estimated direct and indirect economic impact totaling $6.2 billion in the Bay Area.

The UCSF population is very diverse and represents the City of San Francisco. About half of UCSF employees are San Francisco residents. In addition to being economically diverse, the UCSF population also reflects the mix of the general San Francisco population, with 57% of the general UCSF staff population being comprised of minority groups and 68% being female, and 31% and 43% of the UCSF faculty staff being comprised of minority groups and female, respectively.

In addition to its own facilities, UCSF has long-standing affiliations with San Francisco General Hospital and the Veterans Affairs Medical Center. UCSF doctors and staff provide key staffing for both of these organizations.

UCSF is a tax-exempt entity and, under the California Constitution, and is also exempt from local land use controls, including redevelopment controls, when it uses property in furtherance of its charitable, scientific, research, educational and public service mission.

In 2011, UCSF voluntarily set a construction hiring goal to have at least 20% of the construction hours on the Medical Center at Mission Bay project be performed by San Francisco residents. For other capital programs with a construction budget of $5 million or greater, the goal would increase by 5% each subsequent year, until reaching a maximum of 50%. As part of its program, UCSF has partnered with Mission Hiring Hall to provide community outreach, recruitment, and local worker referrals for UCSF projects. For the Medical Center at Mission Bay project, in 2011 UCSF met the 20% local hire goal, in 2012 it exceeded the goal by achieving a 23% local hire rate, and achieved a 19% local hire rate in 2013. UCSF also exceeded the goal by achieving a 27% local hire rate for the Medical Center at Mission Bay Parking garage.

UCSF also implements its Excellence through Community Engagement and Learning (EXCEL) Program. This program provides clerical training and paid internships at UCSF facilities to San Francisco residents. Since its inception in 1998, the program has graduated over 205 participants and received a grant for $340,000 in 2012 to allow the program to expand to two cycles a year.
Mission Bay Research Campus History

In 1998, the Board of Supervisors adopted the Mission Bay North and Mission Bay South Redevelopment Plans. As part of the original negotiations in 1998, the City and Catellus, the original Mission Bay Master Developer, donated 43 acres to UCSF to build a new research campus in Mission Bay South and to help create a catalyst for Mission Bay’s emerging biotechnology cluster. Attachment 1 depicts the location of the UCSF Mission Bay research campus.

As part of the original donation of land to UCSF, a maximum development capacity of 2.65 million square feet of development was allocated for the 43-acre research campus. To date, 82% of this original capacity has been constructed on the campus site. Existing development on the Mission Bay original research campus includes six research buildings, a community center, 431 housing units, and two parking garages. A new academic building is currently under construction and there is a temporary childcare facility that will ultimately be relocated to a permanent site on the campus.

Since the Mission Bay research campus has been so successful, the LRDP is studying the feasibility to expand the current entitlements from 2.65 million square feet to 3.64 million square feet, which would include an additional approximately 523 housing units on campus. This would allow the remaining sites to be built out at a similar density to the existing development, which were developed at the maximum planned density range. The proposed land use plan is shown on Attachment 2.

UCSF Development Sites: Mission Bay Medical Center Site and Block 7 History

Mission Bay Medical Center
Since the original donation of 43-acres of land to UCSF, UCSF acquired an additional 14 acres of land in Mission Bay South, consisting of Blocks 36 to 39 and X-3 (“Medical Center Site”), as shown on Attachment 1. UCSF acquired this land in two phases, the first phase consisting of Blocks 36 to 39 and the second phase consisting of Block X-3. UCSF will construct a 550-bed medical center on the Medical Center Site, with the first phase under construction. This first phase will result in 289-hospital beds serving women, children, and cancer patients and will be finished and operational in early 2015. The design for Phase 2 of the hospital, which will increase the capacity of the hospital to 550-beds, has not begun and the start of construction will be determined on the availability of funding in the future. Currently UCSF estimates that Phase 2 of the hospital will be after the 2035 timeframe of the updated LRDP. The LRDP does not anticipate any changes in the growth plan for the Medical Center Site.

The Medical Center Site is located on land that was originally owned by Catellus and several other property owners and was designated in the Mission Bay South Redevelopment Plan for private, tax-generating office and bio-tech development. When developing the overall Mission
Bay financing plan, property taxes from the Medical Center Site were anticipated to be available to finance affordable housing and infrastructure required by the Mission Bay South Owner Participation Agreement (“OPA”). However, due to UCSF’s tax-exempt status, the purchase of these parcels by UCSF meant that they would no longer generate property tax. To address this loss, Catellus required UCSF to make Catellus whole for the loss of property taxes that would have been used to reimburse the Master Developer for infrastructure.

Block 7 Background
On November 1, 2005, to address the loss of property taxes for affordable housing, the former Redevelopment Commission approved a Memorandum of Understanding (“MOU”), a Second Amendment to the OPA, and a Disposition and Development Agreement (“Block 7 East DDA”). The Block 7 East DDA required UCSF to construct 160 units of affordable housing on Block 7 East in Mission Bay South to address the housing demand created by the hospital. When UCSF purchased the remainder of the Medical Center Site (i.e., Block X-3), the MOU was amended and a second DDA was approved on March 2, 2010 that required UCSF to build an additional 77 units of affordable housing on the western portion of Block 7 (“Block 7 West DDA”), for a total of 237 units. First priority for 100% of the units was to be given to UCSF employee-certificate holders of the former Redevelopment Agency Certificate of Preference Program (“Certificate Holders”), followed by non-Certificate Holder UCSF employees. If UCSF was unable to rent all of the units to UCSF employees, UCSF could rent the units to any qualified non-UCSF tenants, with first priority given to Certificate Holders. The Block 7 West DDA was provided as background to the Commission as part of an Informational Memo dated June 21, 2013.

At the time of execution of both DDAs, UCSF paid a non-refundable purchase price for each block, for a total amount of $6.155 million, which was used for the construction of affordable housing in Mission Bay. Both DDAs included liquidated damages if UCSF was not able to construct the affordable housing per the schedule of performance, totaling $7.4 million for the two blocks.

Block 7 East
As was discussed at the June 4, 2013 Commission meeting, UCSF determined that it was not going to be able to construct the housing on Block 7 East to meet the schedule of performance contained in the Block 7 East DDA and paid the $5 million in liquidated damages, which will be used for affordable housing in Mission Bay South. The Block 7E DDA has thus been terminated, and, as approved through the Fourth Amendment to the Mission Bay South OPA, the 7 East site is now programmed to be developed by Family House to provide temporary housing to UCSF patients and their families.

Block 7 West
As approved by the Commission on December 3, 2013, UCSF will pre-pay the additional $2.4 million in liquidated damages for Block 7 West by early-August in exchange to being allowed to assign the Block 7 West DDA to Mission Bay Block 7 Housing Partners, LP, comprised of The
Related Companies of California, LLC and Chinatown Community Development Corporation for the construction of 200 rental affordable housing units. The $2.4 million in liquidated damages will be used to help fund the Block 7 West affordable housing project that will target households earning up to 60% of AMI.

**Block 33 and 34**

UCSF is under contract with Bay Jacaranda No. 3334 LLC, an affiliate of salesforce.com, to purchase Blocks 33 and 34, a vacant, 3.8-acre parcel located in Mission Bay South, to expand UCSF in Mission Bay by constructing up to 500,000 gross square feet of primarily allowed uses, such as office space. The LRDP includes the development of Blocks 33 and 34 in its planning analysis.

On April 29, 2014, the Commission approved an OPA amendment and new MOU between OCII and UCSF to address the fiscal impact of Blocks 33 and 34 becoming tax exempt due to UCSF’s purchase. In exchange for being released from the OPA requirement to make OCII and the Mission Bay Master Developer whole for any loss of property tax increment, UCSF agreed to (i) make an affordable housing payment to OCII of $10.2 million, which exceeds the tax increment that OCII would have received from Blocks 33 and 34 if owned and developed by a taxable entity; (ii) enter into an agreement with Master Developer regarding infrastructure and make an infrastructure payment of $21.9 million to Master Developer, which is comparable to the tax increment that OCII would have received from Blocks 33 and 34 for infrastructure purposes if owned and developed by a taxable entity; (iii) pay the special taxes under the community facility districts that the Blocks 33 and 34 are part of; (iv) to abide by certain requirements under the South Redevelopment Plan in developing the Blocks 33 and 34, and (v) provide an agreement assuming obligations under the South OPA and related Plan documents and a tax allocation promissory note in connection with future transfers of Blocks 33 and 34. The Department of Finance approved the OPA amendment in July 2014. As a result, UCSF anticipates purchasing the property in mid-August and paying the required affordable housing payment and infrastructure payments prior to closing.

*(Originated by Catherine Reilly, Project Manager)*

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Attachment 1: Location Map of UCSF Mission Bay Campus
Attachment 2: Mission Bay Proposed UCSF Physical Plan