

Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

ACTION ITEM

For Meeting of September 18, 2008

**ADOPTION OF FINDINGS AND APPROVAL OF BINDING AGREEMENT TO
GROUND LEASE, 55 LAGUNA STREET, SAN FRANCISCO, BERKELEY CAMPUS**

EXECUTIVE SUMMARY

Campus: Berkeley Campus

Project: 55 Laguna Residential Project

Proposed Actions:

1. Adoption of Findings based on City and County of San Francisco Environmental Impact Report on the 55 Laguna Residential Project.
2. Authorization of approval and execution of a binding agreement to ground lease as detailed in the companion closed session Item.
3. Authorization of (i) of approval and execution of ground lease; and (ii) negotiation, approval and execution of any amendments or other documents related thereto.

Previous Actions: None

RECOMMENDATION

The President recommends that, upon review and consideration of the environmental consequences of the proposed project as evaluated in the Environmental Impact Report (EIR) for the 55 Laguna Residential Project prepared by the City and County of San Francisco, the Committee on Finance recommend to The Regents that:

- (1) The Regents adopt Findings pursuant to the California Environmental Quality Act for the Project;
- (2) The President, after consultation with the General Counsel, be authorized to approve and to execute a binding agreement to ground lease (Agreement) between The Regents, and A. F. Evans Company Inc. and Mercy Housing California (Evans), or its designees or assignees, in whole or in part, of approximately 5.3 acres of University land and approximately 120,000 square feet of building area located in the City of San Francisco on a site bounded by Laguna, Haight, Buchanan, and Hermann Streets (Property), for the construction of approximately 330 apartment units, approximately 100 senior housing units, publicly-accessible park spaces, incidental community and retail spaces, and parking (Project), subject to the terms and conditions detailed in the companion closed session item.
- (3) The President be authorized (i) with the concurrence of the General Counsel, to approve and to execute the Ground Lease; and (ii) to negotiate and, with the concurrence of the General Counsel, to approve and execute any amendments or other documents related to the Agreement or the Ground Lease, provided such amendments or other documents do not materially reduce the consideration to or increase the obligations of The Regents.

BACKGROUND

The Regents acquired the blocks bounded by Laguna, Haight, Buchanan, and Hermann Streets, San Francisco, from the State of California in 1957, when San Francisco State University relocated from the site to its present location near Lake Merced. At the time of acquisition, the site was improved with four academic buildings totaling approximately 120,000 square feet. Those buildings remain essentially unchanged since their original construction.

The site was acquired for use as a University Extension program center and was operated as such by the Berkeley campus. In the late 1970s the San Francisco campus constructed an 18,000 square foot dental clinic (Dental Clinic) on the northwest corner of Hermann and Buchanan Streets; the Dental Clinic and that portion of the site on which it rests is excluded from the Property proposed to be ground leased to and developed by Evans. The site and the existing buildings are shown in Attachment 1.

In response to several years of operating deficits, UC Berkeley Extension began in 2003 to implement a strategic plan to return to a stable financial condition. Key to the plan was moving its programs to better-located and more cost-effective space. Among the steps taken was closure

of this Extension campus in December 2003, and the relocation of its programs to leased space in downtown San Francisco. Cost savings from the elimination of maintenance obligations for the Property has exceeded the cost of leasing the replacement facilities in downtown San Francisco.

Immediately preceding the closure of the Extension campus, the Berkeley Campus, the San Francisco campus, and the Office of the President evaluated alternative uses of the Property and determined that it was not of strategic importance to either campus, except for continued operation of the UCSF Dental Clinic. The Extension campus was concluded to be inadequate for further academic use by the University for a variety of reasons, including:

- a poor seismic rating on Richardson Hall;
- inefficient building configurations;
- lack of ADA compliance in all buildings;
- deferred maintenance of buildings, landscaping, and site retaining walls;
- high operating costs;
- distance from BART and other regional transit services; and
- surrounding residential uses.

Disposition Process

Rather than sell the property in its current condition, the Berkeley campus and the Office of the President concluded the University would most likely maximize the value of the site by working with a private developer to obtain development entitlements and then entering into a long-term ground lease based upon the entitled project.

Accordingly, in Fall 2003, following announcement of the closure of the Extension campus, the University issued a Request for Qualifications (RFQ) for development of the site under a long-term ground lease. At the conclusion of the RFQ process, Evans was selected based upon its experience in developing both market-rate and affordable housing in San Francisco, and its understanding of both the University's objectives for the site and the nature of the entitlement process in San Francisco. Pursuant to the terms of an exclusive negotiation agreement, Evans has been responsible for predevelopment activities including planning, design, community relations, City relations, and market studies.

After extensive community meetings and consultation with City officials, Evans prepared a project plan that includes the following:

- Approximately 330 apartment units plus approximately 100 senior housing units;
- Not less than 15 percent of the apartment units to be reserved for low or moderate income households under the City's Affordable Housing Program;
- Up to 5,000 square feet of retail space;
- Approximately 12,000 square feet of community facility space;
- A park open to the public, but maintained at Evans' expense, of approximately 25,000 square feet in size, and a 10,600-square-foot public community garden;
- Parking for apartment residents at a ratio of approximately 0.6 spaces per unit, primarily in underground structures; and

- Parking serving the Dental Clinic, of approximately 51 spaces, in an underground structure.

Under Evans' plan, Middle Hall and the administration wing of Richardson Hall would be demolished. The site area made available from the demolition of these structures, when combined with areas currently devoted to surface parking, would be used for the construction of seven new buildings, four to eight stories in height. Woods Hall, the Woods Hall Annex, and the balance of Richardson Hall would be readapted to apartments and community facility space. An existing surface parking lot currently serving the patients and staff of the Dental Clinic would be developed with an apartment building with underground parking (Building 1 in Attachment 2); Replacement Parking to serve the Clinic would be included in that building's underground parking, and ownership of the Replacement Parking spaces would be deeded to the University upon completion of construction. An elevator within the new apartment building would provide ADA-compliant access from the Replacement Parking to the street, and then to the existing upper floor entry to the Clinic building. Evans' plan is shown in [Attachment 2](#).

Evans made application to the City and County of San Francisco for development entitlements for its proposed Project, which entitlements include a conditional use permit; zoning code amendment; and general plan amendment. The City's consideration of Evan's application was subject to the California Environmental Quality Act (CEQA); and the City, acting as Lead Agency under CEQA, prepared and considered an Environmental Impact Report in connection with Evans' application.

The City's Planning Commission approved the conditional use permit, recommended approval of the zoning code and general plan amendments to the City's Board of Supervisors, and certified the Environmental Impact Report on January 17, 2008. The Board of Supervisors upheld the Planning Commission's certification of the EIR upon appeal on March 4, 2008 and approved the conditional use permit, zoning and general plan amendments on April 8, 2008. Key results of the City's entitlement process include: (i) All the senior dwelling units will be required to be affordable at 50 percent of San Francisco's median income (with the Mayor's Office of Housing contributing to the cost of their construction); and (ii) the City has designated three of the existing buildings as Landmarks, and the site has been nominated by the State Historical Resources Commission to be added to the National Register as an historic district.

Environmental Impact Summary

Given the University's decision to ground lease the property to a private developer, and to require the developer to obtain entitlements from the City, it is the City that is the lead agency for the Project under the California Environmental Quality Act (CEQA), and the public agency making the first approval decision on the project (the General Plan Amendment, rezoning, reclassification of Height and Bulk districts, creation and designation of a Special Use District and issuance of the conditional use permit). The University in this instance is acting as a Responsible Agency, making a subsequent public agency decision (the agreement to lease, ground lease and execution of other necessary documents) to implement the Project.

Pursuant to State law and City procedures for implementation of the California Environmental Quality Act (CEQA), the City and County of San Francisco prepared an Environmental Impact Report (EIR) for the Project. The Notice of Preparation was issued by the Planning Commission June 15, 2005. A scoping meeting was held on June 29, 2005. The Initial Study was published on May 6, 2006. The EIR was published January 27, 2007 and circulated for public review until May 2, 2007. The San Francisco Planning Commission held their public hearing on the Draft EIR April 19, 2007. The Final EIR was published November 29, 2007, and considered by the Planning Commission January 17, 2008. The Board of Supervisors affirmed the Planning Commission's certification of the Final EIR (FEIR) March 4, 2008. The City's Mitigation Monitoring and Reporting Plan is dated April 8, 2008.

The FEIR identified potential environmental impacts in the areas of construction air quality, wildlife, hazards, and archaeological resources that could be mitigated to a less than significant level. The Planning Commission and Board of Supervisors found that the impact to historic resources was significant and unavoidable, and adopted a Statement of Overriding Considerations.

Opponents of the Project have sued the City, as Lead Agency, for alleged violations of CEQA and the State Planning Law. Evans and The Regents have been named as Real Parties in Interest. Absent the issuance of an injunction, The Regents may proceed with the recommended actions prior to resolution of the litigation.

Findings

The [attached Findings](#) discuss the project's impacts, mitigation measures, and conclusions regarding the FEIR for the Project and set forth a Statement of Overriding Considerations supporting approval of the Project by The Regents in conformance with CEQA.