

INFORMATIONAL MEMORANDUM

TO: Agency Commissioners

FROM: Fred Blackwell, Executive Director

SUBJECT: Background information for environmental findings and a statement of overriding considerations, prepared pursuant to the California Environmental Quality Act, in connection with the consideration of approval of an Amended and Restated Memorandum of Understanding with The Regents of the University of California, a California public corporation, related to the implementation of The Regents UCSF Medical Center at Mission Bay; Mission Bay South Redevelopment Project Area.

EXECUTIVE SUMMARY

Agency staff is transmitting to the Commission two Environmental Impact Reports (“EIRs”) prepared by The Regents of the University of California for the proposed University of California, San Francisco (“UCSF”) Medical Center in Mission Bay. These EIRs and the 1998 Final Mission Bay Subsequent Environmental Impact Report (“Mission Bay FSEIR”) are the basis for environmental findings and a Statement of Overriding Considerations, prepared pursuant to the California Environmental Quality Act (“CEQA”), that will be necessary to allow the Commission to approve an Amended and Restated Memorandum of Understanding to address the expansion of the proposed UCSF Medical Center onto Block X3 in Mission Bay South at a future Commission meeting. At the same meeting, the Commission will also consider a Disposition and Development Agreement with UCSF for the construction of affordable housing on Block 7 West in Mission Bay South. Staff will be returning to the Commission in the near future for these two items.

DISCUSSION***Background on Upcoming Action***

In 1998, the Board of Supervisors adopted the Mission Bay North and South Redevelopment Plans, and the Redevelopment Agency entered into Owner Participation Agreements (“OPA”) with the primary land owner at the time, Catellus Development Corporation (“Catellus”). Catellus, along with FOCIL-MB, LLC (“FOCIL-MB” or “Primary Developer”), which purchased part of the property in November 2004, are responsible for constructing public infrastructure to serve the project areas, and are required to contribute up to 16 acres of affordable housing sites to the Agency as Mission Bay moves forward. Portions of the incremental property tax generated by private development in Mission Bay are directed toward

defraying the costs of the public infrastructure and subsidizing the Agency's development of affordable housing.

As part of the original negotiations in 1998, the City and Catellus/FOCIL-MB 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 bio-technology cluster. UCSF is a leading public medical research, teaching, and clinical institution and is the second largest employer in San Francisco. The University is a tax-exempt entity. Under the California Constitution, UCSF 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.

The University of California Regents' ("The Regents") Long Range Development Plan ("LRDP") calls for construction of a new hospital in Mission Bay South outside of UCSF's current 43-acre research campus. The new hospital will allow UCSF to meet State seismic safety requirements for essential hospital facilities. It will also allow UCSF to create a modern, state-of-the-art medical facility to better serve the health needs of its patients. To accommodate the contemplated hospital development, UCSF entered into a lease agreement with Catellus (with an option to purchase) for Mission Bay South Blocks 36 to 39, comprising 9.65 acres of land (see Attachment 1).

On November 1, 2005 the Commission approved a Memorandum of Understanding ("Existing MOU"), a Disposition and Development Agreement ("Existing DDA"), and a Second Amendment to the Mission Bay South OPA to address the fiscal and design implications of UCSF's development of a hospital on Blocks 36 to 39. These documents are summarized below.

- **The Existing MOU**

The Existing MOU approved in 2005 provides that so long as The Regents use the Block 36 to 39 in furtherance of UCSF's charitable, scientific, research, educational and public service mission, the Redevelopment Plan, OPA, and related documents will not apply. However, these documents will "spring back" if the property is used for other purposes, or transferred to another party. The Existing MOU ensures that the key goals of the OPA – related to design controls, the public review process, workforce goals etc. – are still achieved under UCSF's development of the parcels. The MOU requires UCSF to abide by relevant development controls from the Design for Development with certain agreed modifications to accommodate the needs of the hospital. It also outlines the public review process that UCSF must undertake, requiring UCSF to work cooperatively with the Agency, the Mission Bay Citizens Advisory Committee, the Commission and the public on design of the hospital. Under the MOU, UCSF must extend its local hiring and workforce development programs to the development of the new hospital and pay prevailing wages for all construction work. Finally, the Existing MOU requires that if the hospital is expanded to include additional private parcels, UCSF must negotiate with the Agency to address the loss of property tax increment and the housing demand generated by development on new parcels.

- **The Existing DDA**

The Existing DDA between the Agency and The Regents obligates The Regents to build a 160-unit affordable housing project for its low- and moderate-income employees on Block 7 East in Mission Bay South. Block 7 East is an Agency affordable housing site, which the

Regents purchased for \$5 million. The development of affordable housing by the Regents on Block 7 East will off-set the loss of housing tax increment that UCSF's tax-exempt development of Blocks 36 to 39 creates, and will ensure that the Agency still meets its affordable housing goals for Mission Bay. While UCSF and The Regents are under no obligation to address the loss of tax increment created by its hospital development on Blocks 36 to 39, they committed to this significant concession during negotiations with the Agency. UCSF's design of the affordable housing project will be subject to Commission approval.

- **Second Amendment to the Mission Bay South OPA**

A Second Amendment to the Mission Bay South OPA between the Agency and Catellus/FOCIL-MB was necessary to allow the transfer of Blocks 36 to 39 from FOCIL-MB to UCSF.

Since these agreements were approved in 2005, UCSF has purchased another private parcel in Mission Bay South, Block X3, and is incorporating the site into its Phase 1 hospital design. Block X3 is 4.7 acres and is bounded by 3rd Street to the east, Mariposa Street to the south, Block 36 to the west, and 16th Street to the north.

Accordingly, amendments to the Existing MOU are necessary to extend its applicability to Block X3. In addition, a second affordable housing agreement, in the form of a DDA, must be negotiated to address the loss of housing property tax increment resulting from UCSF's acquisition of Block X3.

On August 5, 2008, the Commission approved a non-binding Term Sheet (Resolution No. 82-2008) amongst the Agency and The Regents, related to UCSF's planned expansion of hospital facilities to Block X3. Based on the Term Sheet, two final agreements are being prepared for Commission consideration – an Amended and Restated Memorandum of Understanding and a new Disposition and Development Agreement. They will be brought to the Commission in the near future for consideration, and will require environmental clearance as part of the approval process.

Environmental Documentation

As part of its actions on September 17, 1998 establishing the Mission Bay Redevelopment Project Areas, the Redevelopment and Planning Commissions certified the Mission Bay FSEIR, adopted CEQA findings, approved a series of mitigation measures, and established a comprehensive Mitigation Monitoring and Reporting Program. The Board of Supervisors and various City departments adopted similar findings and mitigation monitoring plans.

On April 8, 2008, The Regents released a Draft Environmental Impact Report ("UCSF Draft EIR") for a revised hospital plan for Mission Bay South on Blocks 36-39 and X3 ("UCSF Medical Center") (see Attachment 3). The UCSF Medical Center project included the development of a hospital of up to a 289 beds in Phase I, with additional 261 beds in Phase II. On September 18, 2008, The Regents certified a Final Environmental Impact Report for the UCSF Medical Center ("UCSF Final EIR") and took action to approve the UCSF Medical Center project, as described in the UCSF Draft EIR, except for the operations of the helipad, which was

required to be subject to further community coordination and environmental review prior to approval by The Regents.

In accordance with the CEQA, staff prepared a sixth Addendum to the Mission Bay FSEIR dated September 10, 2008 ("Addendum #6"), which studied the possible environmental impacts of the proposed UCSF Medical Center relative to the Mission Bay South Redevelopment Plan and the Mission Bay FSEIR. Addendum #6 reflects the independent judgment and analysis of the Agency. To analyze the UCSF Medical Center effects, the Agency used the format of an initial study ("Initial Study"). The Initial Study included a determination that all of the significant impacts that would occur from the UCSF Medical Center project were identified in the Mission Bay FSEIR or would not create any new significant impacts to development allowed under the Plan nor would development allowed under the Plan contribute to a significant cumulative impact. Therefore, the conclusion in Addendum #6 is that the UCSF Medical Center project does not identify any new significant impacts or a substantial increase in the severity of previously identified significant effects that alter the conclusions reached in the Mission Bay FSEIR. The conclusions in the Initial Study regarding the potential impacts of the UCSF Medical Center are consistent with the analysis contained in the UCSF Final EIR. The Commission adopted findings incorporating this Addendum into the Mission Bay environmental findings on October 21, 2008 (Resolution No. 125-2008).

Subsequently, on January 20, 2009, The Regents released a Draft Supplemental Environmental Impact Report ("Draft UCSF Helipad SEIR") to analyze a Residential Sound Reduction Program, related to the operations of a helipad at the Medical Center, which was developed as a result of Mitigation Measure MCMB.5-4 of the UCSF Final EIR (see Attachment 2). The Regents certified the Final UCSF Helipad SEIR on April 22, 2009 ("Final UCSF Helipad SEIR"). As the Final UCSF Helipad SEIR solely focused on the analysis of the Residential Sound Reduction Program that addressed potential project-specific helipad noise impacts already identified in the UCSF Final EIR, the analysis contained in Addendum #6 covers the Final UCSF Helipad SEIR analysis and no additional addendum was required as a result of the Final UCSF Helipad SEIR.

For the upcoming consideration of approval of an Amended and Restated Memorandum of Understanding between UCSF and the Agency, the Commission will rely on both the Mission Bay FSEIR and the UCSF Final EIR for its environmental findings. In approving the MOU, the Commission is acting as a Responsible Agency under CEQA and is using the UCSF Final EIR, Final UCSF Helipad SEIR and their accompanying mitigations to adopt environmental findings. To allow the Commission adequate time to review the two UCSF EIRs, they are attached to this Informational Memorandum.

(Originated by Catherine Reilly, Acting Project Manager)

Fred Blackwell
Executive Director

Attachments:

1. [Mission Bay Location Map](#)
2. Final [Supplemental Environmental Impact Report – UCSF Medical Center at Mission Bay – Residential South Redevelopment Program for Helicopter Operations \(“Final UCSF Helipad SEIR”\)](#)
3. Final Environmental Impact Report – UCSF Medical Center at Mission Bay (“UCSF Final EIR) – Appendices provided on CD – hardcopy available on request