

To: Honorable Members of the San Francisco Planning Commissioners
From: John Rahaim, Planning Director
Re: California Pacific Medical Center (CPMC) Development Agreement
Date: April 19, 2012

Update: Director's Report Regarding the CPMC Development Agreement Negotiations

1. Introduction.

Chapter 56 of the San Francisco Administrative Code sets forth the procedure by which any request for a Development Agreement will be processed and approved in the City and County of San Francisco. This report is being written in accordance with S.F. Administrative Code Section 56.10(a).

Sutter West Bay Hospitals doing business as California Pacific Medical Center ("CPMC") owns three sites of real property located in the City and County of San Francisco, California. The Cathedral Hill Campus located at 1100 & 1101 Van Ness Avenue (Assessor's Blocks and Lots 0695/005, 006; 0694/005, 006, 007, 008, 009, 009A, and 010). The St. Luke's Campus located at 3555 Cesar Chavez Street (Assessor's Blocks and Lots 6575/001, 002; 6576/021 and a portion of San Jose Avenue between Cesar Chavez Street and 27th Street). The Davies Campus located at 601 Duboce Avenue (Assessor's Blocks and Lots, 3539/001).

CPMC filed an application with the City's Department of Planning for approval of a Development Agreement for the Project Site under Administrative Code Chapter 56. CPMC also filed applications with the Department of Planning for (1) General Plan Amendments under Planning Code section 340, (2) Zoning Map Amendment under section 302; (3) Planning Code amendment to create the Cesar Chavez/Valencia Streets Medical Special Use District, Planning Code section 249.68 (4) Planning Code amendment to create the Van Ness Medical Use Subdistrict within the Van Ness Special Use District, Planning Code section 243, and (5) Office Allocation Approval under Planning Code section 321.

All of these items are scheduled for your review and possible approval at the Commission meeting on April 26, 2012.

2. Background.

State law (SB 1953) requires that all acute-care hospitals be seismically upgraded such that they are operational after a major earthquake. Three of CPMC's four acute-care hospitals must be rebuilt or de-licensed in order to comply with state law, including the hospitals at California, Pacific, and St. Luke's Campus'.

Altogether, CPMC's intends to build five new buildings at three of their campuses. To meet the state law requirement, CPMC proposes to build a new hospital at the St. Luke's Campus. Acute-care services at the California and Pacific Campuses are proposed to be combined into a new hospital at the Cathedral Hill Campus. The Davies Campus was retrofitted in 2008, enabling this campus to accommodate acute-care hospital services until 2030.

3. Development Agreement Negotiations.

The City's Department of Planning has negotiated a Development Agreement for the Project. The parties begun negotiations in October 2010 and have continued negotiating through to March 26, 2012 the date the most recent draft of the Development Agreement was forwarded to the Planning Commission for consideration. A copy of all of the drafts of the Development Agreement that were exchanged between the parties can be found in the files of the City Department of Planning at 1660 Mission Street. These exchanged drafts reflect the items under negotiation throughout the process. Without limiting the foregoing, we note that the negotiations between the parties included the following meetings:

- 1) October 26, 2010. Meeting to discuss general term of the Development Agreement. Attendees include Ken Rich (Office of Economic and Workforce Development (OEWD)), Anita Wood (Deputy City Attorney), Audrey Pearson (Deputy City Attorney), Tay Via (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC). No agreements reached.
- 2) January 24, 2011. Meeting to discuss general term of the Development Agreement. Attendees include, Jennifer Matz (OEWD), Ken Rich (OEWD), Anita Wood (Deputy City Attorney), Audrey Pearson (Deputy City Attorney), Tay Via (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreements reached.
- 3) February 23, 2011. Meeting to discuss general terms of the Development Agreement. Ken Rich (OEWD), Anita Wood (Deputy City Attorney), Audrey Pearson (Deputy City Attorney), Tay Via (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreements reached.
- 4) March 17, 2011. Meeting to discuss general terms of the Development Agreement. Attendees include Ken Rich (OEWD), Anita Wood (Deputy City Attorney), Audrey Pearson (Deputy City Attorney), Tay Via (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreements reached.
- 5) April 20, 2011. Meeting to discuss the hospital commitment and general terms of the Development Agreement. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Anita Wood (Deputy City Attorney), Audrey Pearson (Deputy City Attorney), Tay Via (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreements reached.
- 6) May 18, 2011. Meeting to discuss general terms of the Development Agreement, including termination, the hospital commitment, timing of community benefits, remedies and priority processing. Attendees include Ken Rich (OEWD), Anita Wood (Deputy City Attorney), Audrey Pearson (Deputy City Attorney), Tay Via (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreements reached.
- 7) June 1, 2011. Meeting to discuss general terms of the Development Agreement, including title of document, definition of terms, timing of community benefits, city cost recovery, termination, transfer of agreement, and future changes to existing standards. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Anita Wood (Deputy City Attorney), Audrey Pearson (Deputy City Attorney), Matthew Bove (Coblentz, Patch,

Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreements reached.

- 8) August 10, 2011. Meeting to discuss the healthcare and housing obligations in the Development Agreement. Attendees include Steve Kawa (Mayor's Office), Starr Terrell (OEWD), Malcolm Yeung (Mayor's Office), Jennifer Matz (OEWD), Ken Rich (OEWD), Tamsen Drew (OEWD), Barbara Garcia (Department of Public Health (DPH), Collen Chawla (DPH), Warren Browner (CPMC), Judy Li (Sutter West Bay), Mark Farrar (CPMC). No agreements reached.
- 9) August 24, 2011. Meeting to discuss the healthcare and housing obligations in the Development Agreement. Attendees include Steve Kawa (Mayor's Office), Malcolm Yeung (Mayor's Office), Ken Rich (OEWD), Tamsen Drew (OEWD), Barbara Garcia (Department of Public Health (DPH), Collen Chawla (DPH), Warren Browner (CPMC), Judy Li (Sutter West Bay). No agreements reached.
- 10) September 7, 2011. Meeting to discuss housing and pedestrian safety obligations, St. Luke's Operating Commitment and grants to community clinics in the Development Agreement. Attendees include Steve Kawa (Mayor's Office), Malcolm Yeung (Mayor's Office), Jennifer Matz (OEWD), Ken Rich (OEWD), Tamsen Drew (OEWD), Barbara Garcia (Department of Public Health (DPH), Collen Chawla (DPH), Michael Duncheon (General Counsel, Sutter West Bay), Judy Li (Sutter West Bay). No agreements reached.
- 11) October 5, 2011. Meeting to discuss CPMC Operating Margin and CPMC Community Benefits. Attendees include John Gates, (Sutter West Bay), Judy Li (Sutter West Bay), Mark Farrar (CPMC), Henry Yu (Sutter West Bay), Emily Webb (CPMC), Robert Gamble (Public Financial Management (PFM)), Robert Guadagno (PFM), Greg Wagner (DPH), Ken Rich (OEWD), Tamsen Drew (OEWD). No agreements reached.
- 12) October 10, 2011. Meeting to discuss remedies and damages for breach of the Development Agreement. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Charles Sullivan (Deputy City Attorney), Matthew Bove (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreements reached.
- 13) October 13, 2011. Meeting to discuss cost of 10,000 Medi-Cal Managed Care Beneficiaries. Attendees include John Gates, (Sutter West Bay), Judy Li (Sutter West Bay), Mark Farrar (CPMC), Henry Yu (Sutter West Bay), Emily Webb (CPMC), Paige Siepes-Metzler (Aon-Hewitt), Greg Wagner (DPH), Ken Rich (OEWD), Tamsen Drew (OEWD). No agreements reached.
- 14) October 17, 2011. Meeting to discuss cost of 10,000 Medi-Cal Managed Care Beneficiaries. Attendees include John Gates, (Sutter West Bay), Judy Li (Sutter West Bay), Mark Farrar (CPMC), Henry Yu (Sutter West Bay), Emily Webb (CPMC), Paige Siepes-Metzler (Aon-Hewitt), Greg Wagner (DPH), Colleen Chawla (DPH), Tamsen Drew (OEWD). No agreements reached.
- 15) October 19, 2011. Meeting to discuss CPMC Operating Margin and CPMC Community Benefits. Attendees John Gates, (Sutter West Bay), Judy Li (Sutter West Bay), Mark Farrar (CPMC), Henry Yu (Sutter West Bay), Robert Gamble (Public Financial Management (PFM)), Robert Guadagno (PFM), Greg Wagner (DPH), Colleen Chawla (DPH), Ken Rich (OEWD), Tamsen Drew (OEWD). No agreements reached.

- 16) October 26, 2011. Meeting to discuss hospital commitment and other general terms in the Development Agreement. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Charles Sullivan (Deputy City Attorney), Matthew Bove (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreements reached.
- 17) October 31, 2011. Meeting to discuss health care terms in the Development Agreement including St. Luke's commitments. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Charles Sullivan (Deputy City Attorney), Matthew Bove (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreements reached.
- 18) January 9, 2012. Meeting to discuss healthcare terms including innovation fund, St. Luke's operating commitment, 10,000 Medi-Cal Managed Care Beneficiaries, and Baseline Healthcare obligation. Attendees include, Ken Rich (OEWD), Tamsen Drew (OEWD), Malcolm Yeung (Mayor's Office), Colleen Chawla (DPH), Judy Li (Sutter West Bay), Mark Farrar (CPMC). No agreements reached.
- 19) January 11, 2012. Meeting to discuss healthcare obligations including the innovation fund. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Malcolm Yeung (Mayor's Office), Barbara Garcia (DPH), Greg Wagner (DPH), Colleen Chawla (DPH), Judy Li (Sutter West Bay), Mark Farrar (CPMC). No agreements reached.
- 20) January 20, 2012. Meeting to discuss healthcare obligations and financial thresholds. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Greg Wagner (DPH), Judy Li (Sutter West Bay), Mark Farrar (CPMC), John Gates (Sutter West Bay), Henry Yu (Sutter West Bay). No agreements reached.
- 21) January 23, 2012. Meeting to discuss healthcare obligations and financial thresholds. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Greg Wagner (DPH), Judy Li (Sutter West Bay), Mark Farrar (CPMC), John Gates (Sutter West Bay), Henry Yu (Sutter West Bay). No agreements reached.
- 22) January 24, 2012. Meeting to discuss healthcare obligations and financial thresholds. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Greg Wagner (DPH), Judy Li (Sutter West Bay), Mark Farrar (CPMC), John Gates (Sutter West Bay), Henry Yu (Sutter West Bay). No agreements reached.
- 23) February 27, 2012. Meeting to discuss proposed term sheet on business terms, including healthcare, housing, workforce, transit, and pedestrian safety. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Malcolm Yeung (Mayor's Office), Cyndi Kettmann (CPMC), Mark Farrar (CPMC). Tentative agreement reached.
- 24) March 3, 2012. Meeting to discuss outstanding business terms for transportation, housing and public improvements. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Malcolm Yeung (Mayor's Office), Mark Farrar (CPMC). No agreement reached.
- 25) March 7, 2012. Meeting to discuss hospital commitment, transportation, and tolling. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Charles Sullivan (Deputy City Attorney), Matthew Bove (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreement reached.

- 26) March 12, 2012. Meeting to discuss healthcare commitments including Baseline Healthcare Commitment, Medi-cal Managed Care Beneficiaries, Operating Margin, and Innovation Fund. Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Charles Sullivan (Deputy City Attorney), Joshua Steinhauer (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). No agreement reached.
- 27) March 15, 2012. Meeting to discuss outstanding issues including transportation fees, damages, healthcare commitments. Ken Rich (OEWD), Tamsen Drew (OEWD), Charles Sullivan (Deputy City Attorney), Colleen Chawla (DPH), Matthew Bove (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay), Cyndi Kettmann (CPMC). Tentative agreements reached.
- 28) March 19, 2012. Meeting to discuss outstanding business terms including public improvements, housing, healthcare and effect on City's Health Services System (HSS). Attendees include Ken Rich (OEWD), Tamsen Drew (OEWD), Charles Sullivan (Deputy City Attorney), Joshua Steinhauer (Coblentz, Patch, Duffy, Bass), Pam Duffy (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Michael Duncheon (General Counsel, Sutter West Bay). Tentative agreement reached.
- 29) April 17, 2012. Meeting to discuss Community Advisory Groups (CAG) and provisions for mental healthcare. Ken Rich (OEWD), Tamsen Drew (OEWD), Colleen Chawla (DPH), Charles Sullivan (Deputy City Attorney), Pam Duffy (Coblentz, Patch, Duffy, Bass), Tay Via (Coblentz, Patch, Duffy, Bass), Mark Farrar (CPMC), Judy Li (CPMC). Tentative agreement reached.

4. Conclusion.

We believe that both parties negotiated in good faith and the end result is a project that, if constructed, will benefit the City.

This summary is prepared for information purposes only, and is not intended to change, supplant, or be used in the interpretation of, any provision of the Development Agreement. For any specific question or interpretation, or for any additional detail, reference should be made to the Development Agreement itself. I and my staff, as well as the City Attorney's Office, are available to answer any questions that you may have regarding the Development Agreement or the negotiation process.