

1 [Settlement of Lawsuit - Academy of Art University - City to Receive \$57,960,000]

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3 **Ordinance authorizing settlement of the lawsuit filed by the City and County of San**
4 **Francisco and the People of the State of California against the Stephens Institute**
5 **and 23 of its affiliated limited liability companies (collectively “Academy”) that owned**
6 **properties in San Francisco, in *People v. Stephens Institute, et. al*, San Francisco**
7 **Superior Court Number CGC-16-551832; the lawsuit alleged that the Academy had**
8 **violated the City’s Administrative Code, Planning Code, and Building Code, and the**
9 **State Unfair Competition Law, Business and Professions Code, Section 17200 et seq.;**
10 **under the settlement, the Academy agrees to: bring its existing uses into compliance**
11 **with the Planning Code; relocate existing uses or change uses in buildings in**
12 **accordance with applicable laws in those limited instances where the Planning**
13 **Department has determined that legalization is not appropriate; compensate the People**
14 **and the City for alleged past violations by paying approximately \$58,000,000 including**
15 **providing affordable housing public benefits to the City in the amount of \$37,600,000**
16 **and a payment of approximately \$8,200,000 to the City’s Small Sites Fund; and work**
17 **cooperatively with the City in planning for future growth in a manner that accounts for**
18 **the urban nature of the Academy’s campus, without adversely impacting the City’s**
19 **affordable or rent-controlled housing stock, or burdening its transportation system,**
20 **including, as a part of that plan, building new housing, or converting existing buildings,**
21 **for its students on property that is zoned for such use.**

22
23 Be it ordained by the People of the City and County of San Francisco:

24 Section 1. Pursuant to Charter Section 6.102(5), the Board of Supervisors hereby
25 authorizes the City Attorney to settle the action entitled *People v. Stephens Institute, et.*

1 al, (San Francisco Superior Court Number CGC-16-551832). Under the terms of the
2 settlement agreement, the Stephens Institute and its affiliated limited liability companies
3 (collectively, "Academy"), controlled by the Stephens family, will pay a total of \$57.96 million
4 to the City. That payment consists of (1) a \$37.6 million affordable housing public benefit
5 payment, and (2) a \$20.36 million settlement payment that includes approximately \$8.2 million
6 for the City's Small Sites Fund. The Academy will withdraw nine properties from Academy of
7 Art University use, and the Academy will comply with specific conditions of approval to bring
8 34 remaining properties into compliance with City codes, including work to restore 12 historic
9 buildings. The Stephens Institute will commit going forward to a metering formula to provide
10 housing for an agreed percentage of its full-time on campus students, and will commit going
11 forward not to convert any structures currently used or occupied as housing or for which the
12 last legal use was residential. The Academy will also commit going forward to giving the City
13 30 days' prior notice of any proposed change in use, new construction or acquisition before it
14 submits an application for approval, and to a consultation process with the City. Under the
15 settlement, the Academy also agrees to bring its existing uses into compliance with the
16 Planning Code; relocate existing uses or change uses in buildings in accordance with
17 applicable laws in those limited instances where the Planning Department has determined
18 that legalization is not appropriate; and work cooperatively with the City in planning for future
19 growth in a manner that accounts for the urban nature of the Academy's campus, without
20 adversely impacting the City's affordable or rent-controlled housing stock, or burdening its
21 transportation system, including, as a part of that plan, building new housing, or converting
22 existing buildings, for its students on property that is zoned for such use. The Academy
23 further agrees the City can enforce the Academy's obligations to bring properties into
24 compliance, withdraw uses, abide by the student housing metering requirements and comply
25 with City codes going forward through a Consent Judgement and Stipulated Injunction, so that

1 the City has ready access to the courts to pursue enforcement.

2 Section 2. The above-named action was filed in the San Francisco Superior Court on
3 May 6, 2016, and the following parties were named in the lawsuit: Plaintiffs City and County
4 of San Francisco and People of the State of California; Defendants Stephens Institute, dba
5 Academy of Art University, a California corporation; 2300 Stockton Street, LLC, a Delaware
6 limited liability company; 1916 Octavia Street, LLC, a Delaware limited liability company; 1153
7 Bush Street, LLC, a Delaware limited liability company; 2209 Van Ness Avenue, LLC, a
8 Delaware limited liability company; 1835 Van Ness Avenue, LLC, a Delaware limited liability
9 company; 1080 Bush Street, LLC, a Delaware limited liability company; 1069 Pine Street,
10 LLC, a Delaware limited liability company; 1055 Pine Street, LLC, a Delaware limited liability
11 company; 60 Federal Street, LLC, a Delaware limited liability company; 491 Post Street, LLC,
12 a Delaware limited liability company; 701 Chestnut Street, LLC, a Delaware limited liability
13 company; 860 Sutter Street, LLC, a Delaware limited liability company; S/F 466 Townsd, LLC,
14 a Delaware limited liability company; 620 RSSE, LLC, a Delaware limited liability company;
15 2151 Van Ness Avenue, LLC, a Delaware limited liability company; 2211 Van Ness Avenue,
16 LLC, a Delaware limited liability company; 825 Sutter Street, LLC, a Delaware limited liability
17 company; 601 Brannan Street, LLC, a Delaware limited liability company; 1727 LOMBARD II,
18 LLC, a Delaware limited liability company; 2225 Jerrold Avenue, LLC, a Delaware limited
19 liability company; 460 Townsend Street, LLC, a Delaware limited liability company; 950 Van
20 Ness Avenue, LLC, a Delaware limited liability; and 2801 Leavenworth-Cannery, LLC, a
21 Delaware limited liability company.

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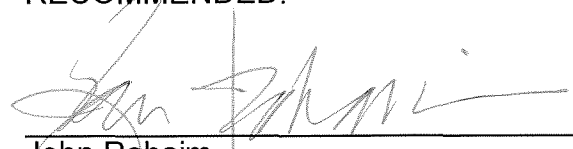
Section 3. The approval of this ordinance is contingent on the Board of Supervisors' approval of the companion ordinance approving the development agreement, in Board of Supervisors File No. 191125.

APPROVED AS TO FORM AND
RECOMMENDED:

DENNIS J. HERRERA
City Attorney


KATE HERRMANN STACY
Deputy City Attorney

RECOMMENDED:


John Rahaim
Director
Planning Department

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City and County of San Francisco
Tails
Ordinance

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 191137

Date Passed: January 14, 2020

Ordinance authorizing settlement of the lawsuit filed by the City and County of San Francisco and the People of the State of California against the Stephens Institute and 23 of its affiliated limited liability companies (collectively "Academy") that owned properties in San Francisco, in *People v. Stephens Institute, et. al*, San Francisco Superior Court Number CGC-16-551832; the lawsuit alleged that the Academy had violated the City's Administrative Code, Planning Code, and Building Code, and the State Unfair Competition Law, Business and Professions Code, Section 17200 et seq.; under the settlement, the Academy agrees to: bring its existing uses into compliance with the Planning Code; relocate existing uses or change uses in buildings in accordance with applicable laws in those limited instances where the Planning Department has determined that legalization is not appropriate; compensate the People and the City for alleged past violations by paying approximately \$58,000,000 including providing affordable housing public benefits to the City in the amount of \$37,600,000 and a payment of approximately \$8,200,000 to the City's Small Sites Fund; and work cooperatively with the City in planning for future growth in a manner that accounts for the urban nature of the Academy's campus, without adversely impacting the City's affordable or rent-controlled housing stock, or burdening its transportation system, including, as a part of that plan, building new housing, or converting existing buildings, for its students on property that is zoned for such use.

December 05, 2019 Government Audit and Oversight Committee - REFERRED WITHOUT RECOMMENDATION

January 07, 2020 Board of Supervisors - PASSED ON FIRST READING

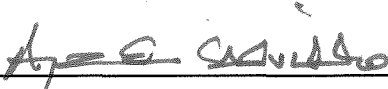
Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

January 14, 2020 Board of Supervisors - FINALLY PASSED

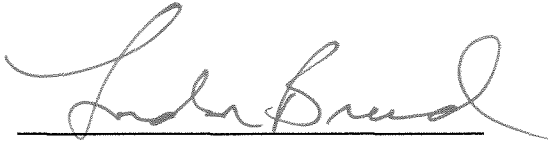
Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

File No. 191137


I hereby certify that the foregoing
Ordinance was FINALLY PASSED on
1/14/2020 by the Board of Supervisors of
the City and County of San Francisco.



Angela Calvillo
Clerk of the Board



London N. Breed
Mayor



Date Approved