

RESOLUTION NO. 80-2007

Adopted July 17, 2007

AUTHORIZING A TAX INCREMENT LOAN AGREEMENT WITH 275 10TH STREET ASSOCIATES, L.P., A CALIFORNIA LIMITED PARTNERSHIP, IN AN AMOUNT NOT TO EXCEED \$5,250,000, IN CONJUNCTION WITH THE DEVELOPMENT OF 134 UNITS OF AFFORDABLE FAMILY RENTAL HOUSING AT 275 10TH STREET FOR VERY LOW-INCOME HOMELESS INDIVIDUALS AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; CITYWIDE TAX INCREMENT HOUSING PROGRAM

BASIS FOR RESOLUTION

1. The Redevelopment Agency of the City and County of San Francisco (the "Agency") is authorized pursuant to California Community Redevelopment Law (Health and Safety Code, Section 33000 et seq.) to distribute monies from its tax increment Low- and Moderate-Income Housing Fund to certain nonprofit sponsors for the purpose of increasing and maintaining the housing stock in the City and County of San Francisco (the "City") for very low-, low- and moderate-income individuals and families.
2. 275 10th Street Associates, L.P., a California limited partnership affiliate (the "Developer") of Episcopal Community Services, a California nonprofit public benefit corporation ("ECS" or the "Sponsor"), intends to develop the underutilized real property, owned by the Agency and located at 10th, Folsom and Dore Streets, Block 3518, Lot 88, San Francisco, California (the "Site") with approximately 134 units of affordable housing for very low-income individuals, and a manager's unit (the "Project").
3. On April 19, 2005, the Agency Commission approved an Assignment of a Purchase and Sale Agreement from ECS and the acquisition of the property at 1350 Folsom Street, 275 10th Street and 72 Dore Street from Milgran Family Trust for an amount not to exceed \$4,000,000. Also, on April 19, 2005, the Agency Commission approved a ground lease (the "Ground Lease") with ECS, for the property at 1350 Folsom Street, 275 10th Street and 72 Dore Street in conjunction with the development of 134 very low-income rental units.
4. On June 27, 2005, the Agency acquired the Site and entered into a Ground Lease with ECS. The Ground Lease has since been assigned to 275 10th Street Associates, L.P. for construction of the Project.
5. The proposed permanent financing sources for the Project include multifamily housing revenue bonds, low income housing 4% tax credits, State of California Multifamily Housing Program, Federal Home Loan Bank Affordable Housing

Program, Green Communities Grant, deferred developer fee, and additional financing from the Mayor's Office of Housing ("MOH").

6. Because it will be providing the larger portion of Project financing, MOH will act as the primary manager of City financing to the Project, in conformance with Agency and MOH practice.
7. The Developer has now requested an additional amount not to exceed FIVE MILLION TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$5,250,000) for the development and construction of the Project, and the Agency wishes to execute a Tax Increment Loan Agreement for that amount.

FINDINGS

1. An Environmental Impact Report ("EIR") was prepared for the proposed Project by the City Planning Department, pursuant to the California Environmental Quality Act ("CEQA"). A draft EIR was published on September 2, 2006, and the Planning Commission held a public hearing on the draft EIR on October 12, 2006. The Planning Commission adopted environmental findings pursuant to CEQA and certified the final EIR on December 7, 2006.
2. Proposed Development Project. The development project most closely achieves the objectives set forth in the EIR, including the following:
 - a. Directly addressing homelessness in San Francisco by constructing housing for homeless individuals that also provides needed supportive social and vocational services;
 - b. Responds to and implements San Francisco's 10-Year Plan to Abolish Chronic Homelessness through the creation of new permanent supportive housing designed to accommodate chronically homeless persons;
 - c. Develops 134 housing units, which is the maximum number of supportive housing units feasible on the Project site, consistent with the development controls of the San Francisco Planning Code and in a financially responsible manner;
 - d. Operates the supportive housing project in cooperation with the Department of Public Health and MOH, both of which have committed to providing funding support;
 - e. Creates leasable space on the Folsom Street frontage that will provide additional revenues and possible job training opportunities for residents of the development project; and
 - f. Maximizes overall sustainability through integrating green building technology, including the seeking of LEED (Leadership in Energy and Environmental Design) certification.

3. Alternatives to the Development Project. There is a general shortage of sites in San Francisco that are appropriate and financially feasible for the construction of affordable housing units. Moreover, the Sponsor does not have control of alternative locations for the development project. Accordingly, there are no alternative locations identified within San Francisco where the project could be feasibly constructed, consistent with the objectives set forth in the EIR. The EIR included a number of alternatives to the proposed development project on the same Project site. The following Alternatives that were evaluated in the EIR are rejected for the following reasons:
 - a. Alternative A, the “No Project” Alternative, would not meet the objectives identified in the EIR. The No Project Alternative would avoid significant, unavoidable environmental effects of the development project on historic resources and land use; however, this Alternative would not provide any new housing units. This Alternative would continue the existing land use conditions, which may not be conducive to continuation and retention of PDR (Production, Distribution and Repair) uses in the Project vicinity.
 - b. Alternative B, the “Preservation” Alternative, would not develop the maximum number of supportive housing units feasible on the Project site in a financially responsible manner. The Preservation Alternative would include a maximum of 80 housing units (40% fewer units than the development project) and would significantly increase per-unit development costs. This Alternative would reduce potential environmental impact on historic resources to a less than significant level and would reduce the Project’s contribution to the significant cumulative land use impact on a potential historic district. Similar to the development project, this Alternative, would contribute to the cumulative significant land use impact of the loss of PDR space.
 - c. Alternative C, the “Partial Preservation” Alternative would not develop the maximum feasible number of supportive units on the Project site. Alternative C would result in the demolition of two of the three historic structures on the Project site and would retain the 275 10th Street façade and roughly 26 feet of the walls behind the façade. Retention of the façade and partial building walls would require the Project to be redesigned, resulting in loss of space, relocation and or loss of programmatic elements of the Project, with consequent delays to the Project schedule. Alternative C would result in the construction of eight fewer units than the Project, which along with the cost of redesign and construction delay would significantly increase the per-unit cost of the Project.
4. Mitigation Measures. The EIR identified mitigation measures that would avoid or substantially reduce the significant effects of the development project, including effects on historic resources, construction air quality, hazardous materials due to underground tanks and contamination, and potential subsurface archaeological resources. The Zoning Administrator of the City adopted mitigation measures

that are required of the development project on December 13, 2006 (Case No. 2005.0634V). None of the EIR mitigation measures have been modified or rejected. Responsibility for implementation and monitoring of the mitigation measures is required pursuant to the Mitigation Monitoring and Reporting Program ("MMRP") adopted by the Zoning Administrator. Agency staff determined that with the application of these mitigation measures as required by the MMRP, the proposed Project would not result in any significant impacts not identified in the EIR or any impact identified in the EIR that would be substantially more severe, and therefore, that the mitigations apply to the development project. The Sponsor is required to implement the mitigation measures identified in the EIR according to the mitigation plan included in the MMRP.

5. Significant and Unavoidable Environmental Impacts. Air quality impacts, hazardous materials impacts and archaeology impacts would be reduced to less than significant levels by implementation of the mitigation measures adopted by the Zoning Administrator. Nevertheless, the development project would result in two significant impacts that would not be avoided or reduced to a less than significant level. These unavoidable impacts include the following:
 - a. Implementation of the development project would result in a significant environmental effect on historic resources that could only be eliminated by the selection of an alternative Project design. Selection of an alternative design is determined to be infeasible as explained above. The development project would also contribute to a cumulatively significant impact on a potential historic district in the South of Market area. Mitigation Measure 1a of the EIR would require the recordation of the historic resources prior to their demolition, and implementation of this mitigation measure would reduce the historic resources impact, but not to a less than significant level.
 - b. The development project would also contribute to the cumulative land use impact of the anticipated future loss of PDR space and land in San Francisco, as well as potential loss of PDR businesses and jobs in San Francisco. These impacts could potentially be eliminated by the selection of the No Project Alternative; however, the No Project Alternative was determined to be infeasible as explained above.
6. Statement of Overriding Considerations. Despite the significant effects noted above, the Commission can find that upon considering the EIR, that certain benefits of the Project outweigh the identified significant and unavoidable effects on the environment and that, consequently, the adverse environmental effects are acceptable. These benefits include the following:
 - a. The development project would make a significant contribution to meeting San Francisco's "Housing First" policy and the 10-Year Plan to Abolish Chronic Homelessness, through providing 143 units of supportive housing to chronically homeless, very low-income persons.

- b. The development project would provide necessary support services for project residents, many of whom have social and vocational barriers and health issues.
- c. The development project would provide the greatest number of supportive housing units for formerly homeless persons at the lowest cost per unit and thereby, would meet the City's goals for housing the chronically homeless and maximizing City resources and funding resources.
- d. The development project will substantially improve the character and quality of Folsom Street through the creation of active street frontage and retail/commercial space to serve the local area.
- e. The development project will maximize sustainability through the incorporation of green building elements, including the seeking of certification under the LEED for Homes Program.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that:

- (1) It has reviewed and considered the EIR findings and hereby adopts the CEQA findings set forth above, including the mitigation measures, mitigation monitoring and reporting program and statement of overriding considerations.
- (2) The Executive Director is authorized to enter into a Tax Increment Loan Agreement with 275 10th Street Associates, L.P., a California limited partnership, in an amount not to exceed \$5,250,000 to help pay for construction and permanent financing expenses of the real property located at 275 10th Street in connection with the development of 134 units of affordable rental housing for homeless individuals and 1 manager's unit substantially in the form lodged with the Agency General Counsel; and to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

APPROVED AS TO FORM:


for James B. Morales 7/11/07
Agency General Counsel