

RESOLUTION NO. 117-2008

Adopted October 7, 2008

AUTHORIZING A GROUND LEASE WITH MERCY HOUSING CALIFORNIA XLI, A CALIFORNIA LIMITED PARTNERSHIP, FOR THE DEVELOPMENT OF 49 LOW-INCOME FAMILY RENTAL UNITS AT 227-255 SEVENTH STREET, AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; SOUTH OF MARKET REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*, the "Law"), the Redevelopment Agency of the City and County of San Francisco (the "Agency") undertakes programs for the reconstruction and rehabilitation of slums and blighted areas in the City and County of San Francisco (the "City").
2. Pursuant to the Law, the Board of Supervisors of the City established the South of Market Earthquake Recovery Redevelopment Project Area (the "Project Area") and adopted the South of Market Earthquake Recovery Redevelopment Plan (as amended, the "Redevelopment Plan").
3. The Agency is authorized pursuant to the Law to increase and maintain the affordability of the housing stock in the City for affordability by very low-, low- and moderate-income households and to develop commercial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare.
4. Mercy Housing California, a California nonprofit public benefit corporation ("MHC" or the "Developer"), and the South of Market Health Center, a California nonprofit public benefit corporation ("SOMHC"), plan to develop approximately 49 units of affordable family housing (owned and operated by MHC) (the "Housing Project") and a 20,000-square-foot neighborhood health clinic (owned and operated by SOMHC) (the "Project") at 227-255 Seventh Street (the "Site") within the Project Area.
5. On March 18, 2003, by Resolution Number 39-2003, the Agency Commission authorized a Tax Increment Affordable Housing Program Loan of \$5,275,514 (the "Agency Loan" or the "Agreement") to MHC for acquisition and predevelopment costs related to developing affordable housing at the Site.
6. On November 18, 2003, by Resolution Number 174-2003, the Agency Commission authorized a First Amendment to modify certain terms of the Agreement.

7. On November 7, 2006, by Resolution Number 143-2006, the Agency Commission authorized a Second Amendment to increase the Agency Loan by \$931,380 for a total aggregate amount not to exceed \$6,206,894, to pay for architectural expenses and other related predevelopment costs related to developing housing at the Site.
8. On April 1, 2008, by Resolution Number 18-2008, the Agency Commission authorized an Amended and Restated Tax Increment Loan Agreement to increase the Agency Loan by \$6,745,338, for a total aggregate amount not to exceed \$12,952,232 to provide funding for construction of the housing portion of the Project.
9. The housing improvements will be owned by a newly formed limited partnership, Mercy Housing California XLI (the "Partnership"), as required for tax credit financing. As part of admitting the tax credit investor into the Partnership, the Developer has requested that the Agency enter into a ground lease with Mercy Housing California XLI for that portion of the Site related to the Housing Project.
10. Based on the analysis contained in the Final Environmental Impact Report for the Project (the "FEIR"), and the findings pursuant to the California Environmental Quality Act ("CEQA") adopted by the San Francisco Planning Commission (the "Planning Commission") on June 7, 2007, in Motion No. 17441 certifying the FEIR, and in Motion No. 17442 approving the conditional use authorization for the Project and establishing a Mitigation Monitoring Program that attaches mitigation measures identified in the FEIR to the conditional use authorization, Agency staff requests that the Agency Commission adopt findings in accordance with CEQA that the Ground Lease is an Implementing Action for the construction of the Project, pursuant to the approvals granted by the Planning Commission. Staff, in making the necessary findings for the Implementing Action contemplated herein, considered and reviewed the FEIR. Documents related to the Implementing Action and the FEIR have been and continue to be available for review by the Agency Commission and the public and are part of the record before the Agency Commission.

FINDINGS

1. The Agency Commission hereby finds that the approval of the Ground Lease, and the use of funds for the development of very low-income family rental housing, will be of benefit to the South of Market Redevelopment Project Area.
2. The Agency Commission hereby further finds and determines that the Ground Lease is an Implementing Action for the construction of the Project pursuant to the approvals granted by the Planning Commission and requires no additional environmental review pursuant to State CEQA Guidelines Section 15096 for the following reasons:

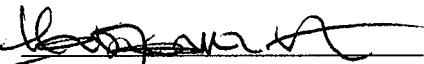
- a. The Implementing Action will not change the scope of the Project analyzed in the FEIR and no major revisions are required due to the involvement of new significant environmental effects or a substantial increase in the severity of significant effects previously identified in the FEIR.
 - b. No substantial changes have occurred with respect to the circumstances under which the Project analyzed in the FEIR was undertaken that would require major revisions to the FEIR due to the involvement of new significant environmental effects, or a substantial increase in the severity of effects identified in the FEIR.
 - c. No new information of substantial importance to the Project analyzed in the FEIR has become available that would indicate that (a) the Implementing Action will have significant effects not discussed in the FEIR; (b) significant environmental effects will be substantially more severe; (c) mitigation measures found not feasible that would reduce one or more significant effects have become feasible; or (d) mitigation measures or alternatives that are considerably different from those in the FEIR will substantially reduce one or more significant effects on the environment.
3. The Agency Commission hereby further finds, pursuant to State CEQA Guidelines Section 15091, that the FEIR and Planning Commission Motions No. 17441 and 17442 were and remain adequate, accurate and objective and are applicable to the Implementing Action.
4. The Agency Commission hereby declares the following Statement of Overriding Considerations, pursuant to CEQA Guidelines Sections 15096(h) and 15093:
 - a. As detailed in Planning Commission Motion No. 17441, that the Project will contribute to a significant and unavoidable impact on historical resources associated with the demolition of the 227 Seventh Street Building and a cumulative significant and unavoidable effect on the potential South of Market historic district, and cumulative significant and unavoidable land use impacts associated with the anticipated future loss of Production, Distribution and Repair (“PDR”) space in San Francisco and the associated loss of PDR businesses and jobs.
 - b. The following specific overriding economic, legal, social, and other considerations outweigh the identified significant effects on the environment:
 - i. Project implementation will alleviate blight and encourage revitalization of the Project Area.

- ii. Project implementation will improve residential conditions and encourage residential activity through the creation, retention and rehabilitation of housing affordable by very low-income families.
 - iii. Project implementation will promote the development of commercial and industrial facilities that will lead to increased business activity and improved economic conditions in and around the Project Area.
 - iv. Project implementation will lead to improved housing opportunities and help alleviate City and regional housing needs, especially the high demand for affordable housing.
 - v. Project implementation will facilitate transit-oriented development in the area in support of the City's Transit First Policy.
 - vi. Project implementation will assist with coordinated land use planning and revitalization strategies between the existing South of Market Redevelopment Project Area and the surrounding South of Market planning area.
5. Having considered these Project benefits, the Agency finds that the Project's benefits outweigh the unavoidable adverse environmental effects, and that the adverse environmental effects are therefore acceptable.
6. The Agency Commission hereby further finds that, based on the FEIR and Planning Commission Motions No. 17441 and 17442, all other impacts of the Project would either be less than significant or could be mitigated to less than significant levels, with implementation of the Mitigation Monitoring 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 Final Environmental Impact Report and hereby adopts the CEQA findings set forth herein and (2) the Executive Director is authorized to enter into a Ground Lease with Mercy Housing California XLI, a California limited partnership, for the construction of 49 low-income family rental units at 227-255 Seventh Street, in the South of Market Redevelopment Project Area, substantially in the form lodged with the Agency General Counsel.

APPROVED AS TO FORM:


James B. Morales
Agency General Counsel