

## **RESOLUTION NO. 20-2010**

*Adopted March 2, 2010*

### **APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT WITH THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, A CALIFORNIA PUBLIC CORPORATION, FOR THE PURCHASE OF THE WESTERN PORTION OF BLOCK 7 AND FOR THE DEVELOPMENT OF AN AFFORDABLE HOUSING PROJECT THEREON, AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA**

#### **BASIS FOR RESOLUTION**

1. On September 17, 1998, by Resolution No. 190-98, the Commission of the Redevelopment Agency of the City and County of San Francisco ("Agency Commission") approved the Redevelopment Plan ("Plan") for the Mission Bay South Redevelopment Project Area ("Project Area"). On the same date, the Agency Commission adopted related documents, including Resolution No. 193-98 authorizing execution of an Owner Participation Agreement ("South OPA") and related documents between Catellus Development Corporation, a Delaware corporation ("Catellus"), and the Agency. On November 2, 1998, the San Francisco Board of Supervisors ("Board of Supervisors"), by Ordinance 335-98, adopted the Plan. The Plan and its implementing documents, as defined in the Plan, constitute the "Plan Documents."
2. On September 17, 1998, the Agency Commission adopted Resolution No. 182-98 which certified the Final Subsequent Environmental Impact Report ("FSEIR") as a program EIR for Mission Bay North and South pursuant to the California Environmental Quality Act ("CEQA") and State CEQA Guidelines Section 15180. On the same date, the Agency Commission also adopted Resolution No. 183-98, which adopted environmental findings (and a statement of overriding considerations), in connection with the approval of the Plan and other Mission Bay project approvals. The San Francisco Planning Commission ("Planning Commission") certified the FSEIR by Resolution No. 14696 on the same date. On October 19, 1998, the Board of Supervisors adopted Motion No. 98-132 affirming certification of the FSEIR by the Planning Commission and the Agency, and Resolution No. 854-98 adopting environmental findings and a statement of overriding considerations.
3. Subsequent to certification of the FSEIR, the Agency has issued several addenda to the FSEIR, as described in Recital 4 below. The addenda do not identify any substantial new information or new significant impacts or a substantial increase in the severity of previously identified significant effects that alter the conclusions reached in the FSEIR. Hereinafter, the Final Subsequent Environmental Impact Report, including any addenda thereto, shall be collectively referred to as the "FSEIR."

4. The first addendum, dated March 21, 2000, analyzed temporary parking lots to serve the ballpark. The second addendum, dated June 20, 2001, analyzed revisions to 7th Street bike lanes and relocation of a storm drain outfall provided for in the Mission Bay South Infrastructure Plan, a component of the South OPA. The third addendum, dated February 10, 2004, analyzed revisions to the Mission Bay South Design for Development with respect to the maximum allowable number of towers, tower separation and requires step-backs. The fourth addendum, dated March 9, 2004, analyzed the Mission Bay South Design for Development with respect to the permitted maximum number of parking spaces for bio-technical and similar research facilities and the North OPA with respect to changes to reflect a reduction in permitted commercial development and associated parking. The fifth addendum, dated October 4, 2005, analyzed the UCSF proposal to establish a Phase I 400-bed hospital in Mission Bay South on Blocks 36-39 and X-3. The sixth addendum, dated September 10, 2008, addressed revisions of the UCSF Medical Center at Mission Bay. The seventh addendum, dated January 7, 2010, addressed the construction of a Public Safety Building on Block 8 in Mission Bay South.
5. The South OPA sets forth phasing principles that govern the development of property in the Project Area. Those principles include Catellus' obligations to deliver to the Agency affordable housing sites (the "Agency Affordable Housing Parcels") as market rate housing is built in the Project Area. They also include Catellus' commitments to construct public open space and other public infrastructure adjacent to – or otherwise triggered by – development on any of the private parcels governed by the South OPA.
6. Consistent with Section 33334.2 of the California Health and Safety Code, the South OPA and the related Mission Bay South Tax Increment Allocation Pledge Agreement, dated as of November 16, 1998, between the Agency and the City and County of San Francisco (the "City"), provide that no less than 20% of the total property tax increment (plus certain excess tax increment) generated by development in the Project Area is dedicated to develop affordable housing units on parcels that Catellus will contribute to the Agency to help achieve the affordable housing program contemplated by the Plan.
7. Catellus has sold most of its remaining undeveloped land in Mission Bay to FOCIL-MB, LLC ("FOCIL-MB"), a subsidiary of Farallon Capital Management, LLC, a large investment management firm. The sale encompassed approximately 71 acres of land in Mission Bay, and the remaining undeveloped residential parcels in Mission Bay South. FOCIL-MB has assumed all of Catellus' obligations under the South OPA and the Agency's Owner Participation Agreement for Mission Bay North (collectively, the "OPAs"), as well as all responsibilities under the related public improvement agreements and land transfer agreements with the City and County of San Francisco. FOCIL-MB is bound by all terms of the OPAs and related agreements, including the requirements of the affordable housing program, equal opportunity program, and design review process.

8. The Project Area includes an approximately 43-acre biomedical research and educational campus site for the University of California, San Francisco (“UCSF”) that is under the jurisdiction of The Regents of the University of California (“The Regents”). The Regents has already invested about \$1.085 billion on projects completed or underway within the Project Area and has completed or is underway with construction of over 1,680,000 square feet of research, educational and campus-serving facilities. As a State agency, The Regents is exempt under the State Constitution from local land use regulation and property taxes to the extent it uses property exclusively in furtherance of its educational mission.
9. On November 30, 2004, The Regents released proposed amendments in draft form to its long range development plan, as LRDP Amendment #2. Those amendments contemplated an expansion of UCSF facilities onto Blocks 36 to 39 in the Project Area, including the possibility of developing new integrated specialty Children’s, Women’s and Cancer hospitals containing about 210 beds, together with ambulatory and research facilities. In March 2005, The Regents approved LRDP Amendment #2 and certified a related final environmental impact report (the “LRDP #2 FEIR”) which analyzed the environmental effects of the proposed UCSF development on Blocks 36 to 39. Copies of the LRDP #2 FEIR are on file with the Agency Secretary.
10. Catellus and The Regents have entered into a long-term ground lease of Blocks 36 to 39 (the "Lease") and Catellus and The Regents entered into an Option Agreement and Grant of Option to Purchase under which The Regents will have an option to purchase Blocks 36 to 39, based on the terms more specifically set forth in those agreements. The Lease allows for UCSF to develop up to 1,020,000 leasable square feet on Blocks 36 to 39.
11. On November 1, 2005, the Agency took several actions related to the proposed UCSF expansion facilities on Blocks 36 to 39. These actions included the approval of a Memorandum of Understanding regarding the expansion of UCSF facilities (the “Existing MOU”), per Agency Resolution No. 176-2005; the approval of a Disposition and Development Agreement (the “Existing DDA”) for The Regents’ purchase of the eastern portion of Block 7 in the Project Area for the development of an affordable housing project (“Block 7 East”), per Agency Resolution No. 160-2005; and the authorization of a Second Amendment to the South OPA, per Agency Resolution No. 177-2005. These actions are collectively referred to as the “2005 Actions.”
12. In approving the 2005 Actions, the Agency and The Regents contemplated that The Regents might acquire other private parcels, including Block X3, for development of hospital facilities in the Project Area (the “Other Possible Expansion Parcels”).
13. The Regents acquired Block X3 in two parts: 0.34 acres from W.Y.L. Orion Properties, LLC in December 2005, and 4.43 acres from 1900 Third Street, LLC in January 2007. Block X3 is subject to the Plan, although it is not subject to the South OPA.

14. In April 2008, The Regents published the UCSF Medical Center at Mission Bay Draft Environmental Impact Report analyzing a UCSF Medical Center at Mission Bay for Blocks 36 to 39 and Block X3 consisting of a 289-bed integrated specialty Children's, Women's and Cancer hospital plus ambulatory and support facilities to be developed by the end of 2014, and a "Future Phase" consisting of full buildout of the entitlement available for Blocks 36 to 39 and Block X3 with a potential additional 261 hospital beds (for a total of 550 beds) and ambulatory and support facilities in the future. On September 17, 2008, The Regents certified a Final Environmental Impact Report for the UCSF Medical Center ("UCSF Final EIR"), adopted CEQA findings, and took action to approve the Medical Center project except for the operations of the helipad, which was to be subject to further community coordination and environmental review prior to approval by The Regents.
15. Subsequently, on January 20, 2009, The Regents published the UCSF Medical Center at Mission Bay – Residential Sound Reduction Program for Helicopter Operations Draft Supplemental Environmental Impact Report 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. On April 20, 2009, The Regents certified a Final Supplemental Environmental Impact Report, adopted environmental findings pursuant to CEQA, and approved the helipad operations and its associated Residential Sound Reduction Program.
16. In the Existing MOU, the Agency and The Regents agreed that they would negotiate, in good faith, agreements for UCSF to address the housing demand generated by the development on any Other Possible Expansion Parcels. The Agency and The Regents also agreed that these agreements would be based in principle on the terms and conditions provided for in the Existing DDA, but are not obligated to agree to the same terms and conditions set forth in the Existing DDA.
17. Agency staff negotiated a draft term sheet (the "Term Sheet") that defines non-binding terms for a Second Disposition and Development Agreement ("Second DDA") to allow for The Regents' acquisition of a second parcel in Mission Bay South and development of an additional 77 units of affordable rental housing. The Agency Commission approved the Term Sheet on August 5, 2008 (Resolution No. 82-2008).
18. The proposed Second DDA contains the terms and conditions for transferring an Agency Affordable Housing Parcel to The Regents, which parcel is the 1.0 acre portion of Block 7 ("Block 7 West") on the westerly most part of the block fronting Fourth Street (or a Substitution Parcel, as defined in the Second DDA, with substantially the same size, configuration, and development potential as the designated portion of Block 7), located in the Project Area. Block 7 West is contiguous to Block 7 East, the location of UCSF's first affordable housing project and the subject of the Existing DDA.

19. The development of affordable housing on these two parcels will provide local housing opportunities for low- and moderate-income households. Of the total 77 units, 23 two-bedroom units and 31 one-bedroom units will have rents established at not more than 30% of 60% of the area median income (AMI), with the remaining 23 two-bedroom units having rents established at not more than 30% of 100% of the AMI. To the extent permitted by federal and state fair housing laws, The Regents may offer these units on a first priority to UCSF Employees. Among UCSF Employees, those employees with an Agency Certificate of Preference, as authorized by the Property Owner and Occupant Preference Program (Resolution No. 57-2008), as amended from time to time, shall have first priority for occupancies. If The Regents is unable to rent all of the Employee Units to UCSF Employees, The Regents may rent the units to any qualified non-UCSF tenants, with first priority given to Certificate Holders.
20. The development of this affordable housing will also ensure that UCSF's tax-exempt development on Blocks 36 to 39 and X3 does not undermine the Agency's ability to execute its affordable housing program in Mission Bay, which relies on property tax increment funds to subsidize Agency-sponsored affordable housing projects.
21. The South OPA and Plan provide for the Agency to construct a comparable amount of affordable housing on this Agency Affordable Housing Parcel and thus potential environmental impacts of development of the Agency Affordable Housing Parcel by The Regents are within the scope of impacts discussed in the Mission Bay FSEIR.
22. As provided in the Mission Bay Housing Program, the Agency elects to include The Regents as a "Qualified Housing Developer" (as that term is defined in the Housing Program of the Mission Bay South OPA). By developing the Affordable Housing Project, The Regents will help meet its own needs for affordable housing, and address the impacts of its development consistent with the principles set forth in its Long Range Development Plan (as amended), and at the same time satisfy the objectives of the Agency and City underlying the Housing Program and the objectives of the Plan. The Regents may only transfer the housing site to a "Qualified Housing Developer" for the purpose of developing affordable housing consistent with the affordability restrictions to which The Regents has agreed.
23. The Regents have agreed in the Second DDA to complete the Affordable Housing Project concurrently with, or before, The Regents completes construction of in excess of 1,020,000 rentable square feet of combined development on Blocks 36 to 39 and Block X3, subject to an extension as provided in the Second DDA.
24. The FSEIR is a program EIR under CEQA Guidelines Section 15168 and a redevelopment plan EIR under CEQA Guidelines Section 15180. Approval of the Second DDA is an undertaking pursuant to and in furtherance of the Plan in conformance with CEQA Section 15180 ("Implementing Action").

25. Agency staff, in making the necessary findings for the Implementing Action contemplated herein, considered and reviewed the FSEIR and has made documents related to the Implementing Action and the FSEIR files available for review by the Agency Commission and the public, and these files are part of the record before the Agency Commission.
26. The FSEIR findings and statement of overriding considerations adopted in accordance with CEQA by the Agency Commission by Resolution Nos. 183-98 dated September 17, 1998 and 125-2008 dated October 21, 2008 reflected the independent judgment and analysis of the Agency, were and remain adequate, accurate and objective and were prepared and adopted following the procedures required by CEQA, and the findings in said resolutions are incorporated herein by reference as applicable to the Implementing Action.
27. Agency staff is recommending that the Agency Commission approve the Second DDA.

### **FINDINGS**

The Agency finds and determines that the Second DDA is an Implementing Action within the scope of the Project analyzed in the FSEIR and requires no additional environmental review pursuant to State CEQA Guidelines Sections 15180, 15162 and 15163 for the following reasons:

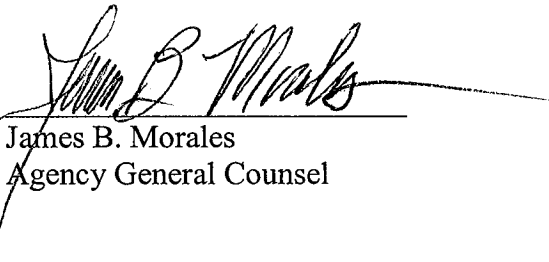
1. The Implementing Action is within the scope of the Project analyzed in the FSEIR and no major revisions are required due to the involvement of new significant environmental effects or a substantial increase in the severity of significant effects previously identified in the FSEIR.
2. No substantial changes have occurred with respect to the circumstances under which the Project analyzed in the FSEIR was undertaken that would require major revisions to the FSEIR due to the involvement of new significant environmental effects, or a substantial increase in the severity of effects identified in the FSEIR.
3. No new information of substantial importance to the Project analyzed in the FSEIR has become available which would indicate that (a) the Implementing Action will have significant effects not discussed in the FSEIR; (b) significant environmental effects will be substantially more severe; (c) mitigation measures or alternatives found not feasible which would reduce one or more significant effects have become feasible; or (d) mitigation measures or alternatives which are considerably different from those in the FSEIR will substantially reduce one or more significant effects on the environment.

## 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 FSEIR findings and statement of overriding considerations and hereby adopts the CEQA findings set forth in Resolutions No. 183-98 and 125-2008 incorporated herein and those set forth above.
- (2) The Executive Director is authorized to execute a Disposition and Development Agreement with The Regents of the University of California, a California public corporation, for the purchase and development of the 1.0 acre portion of Block 7 West on the westerly most part of the block fronting Fourth Street (or a Substitution Parcel, as defined in the Disposition and Development Agreement, with substantially the same size, configuration, and development potential as the designated portion of Block 7 West), located in the Mission Bay South Redevelopment Project Area, substantially in the form lodged with the Agency General Counsel, together with any changes that do not materially affect the substance of the Disposition and Development Agreement or materially increase the obligations of the Agency, and to execute any and all other conveyance instruments necessary to effectuate the proposed sale.

**APPROVED AS TO FORM:**



James B. Morales  
Agency General Counsel