

RESOLUTION NO. 14-2011

Adopted March 1, 2011

**AUTHORIZING A SECOND AMENDMENT TO THE GROUND
LEASE WITH MHRSC, L.P., A CALIFORNIA LIMITED
PARTNERSHIP, TO MODIFY THE SCHEDULE OF
PERFORMANCE AND TO MODIFY THE DISTRIBUTION OF
SURPLUS CASH, FOR THE DEVELOPMENT OF MARY HELEN
ROGERS SENIOR COMMUNITY, 100 UNITS OF VERY LOW-
INCOME SENIOR RENTAL HOUSING ON CENTRAL FREEWAY
PARCEL C, SOUTHWEST CORNER OF GOLDEN GATE
AVENUE AND FRANKLIN STREET; CITYWIDE TAX
INCREMENT HOUSING PROGRAM**

BASIS FOR RESOLUTION

1. In November 1999, the voters of San Francisco approved Proposition I, which encouraged development of housing, particularly affordable housing, on the former Central Freeway Parcels transferred by the State of California Department of Transportation to the City of San Francisco (the "City") that were not necessary for the rebuilding of the City's transportation infrastructure, including the property at the southwest corner of Golden Gate Avenue and Franklin Street known as Parcel C (the "Site").
2. On October 22, 2001, by Resolution No. 824-01, the City Board of Supervisors ("Board of Supervisors") approved the sale of the Site to the Redevelopment Agency of the City and County of San Francisco (the "Agency") for the express purpose of building affordable senior housing. The Agency and City executed a Transfer of Real Estate Agreement on March 19, 2002, which implemented the Board of Supervisors' resolution.
3. On May 18, 2004, the Commission adopted Resolution No. 55-2004, adopting the Mitigated Negative Declaration ("MND") prepared jointly with the City's Planning Department for potential development of a number of sites in the former Western Addition Redevelopment Project Area A-2, including the Site. In adopting the MND, the Commission found the MND reflected the independent judgment and analysis of the Agency, was adequate, and had been prepared in accordance with and in compliance with the California Environmental Quality Act ("CEQA") and the State CEQA Guidelines.
4. On February 7, 2006, the Commission authorized the Agency Executive Director to execute an Exclusive Negotiations Agreement (the "ENA") with a development team to develop, own, and manage the Site (the "Development Team").
5. On June 20, 2006, the Commission adopted Resolution No. 87-2006, conditionally approving a Schematic Design for the proposed 100-unit senior affordable rental housing project on the Site (the "Project" or the "Mary Helen

Rogers Senior Community”) and adopted CEQA findings that the Schematic Design was an Implementing Action within the scope of the Project analyzed in the MND and that no additional environmental review was required pursuant to State CEQA Guidelines Sections 15162 and 15164.

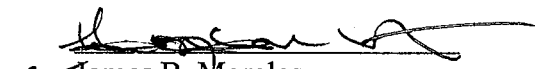
6. Subsequent to this Commission action, Agency staff re-evaluated the determinations of the MND in light of minor changes to the proposed development at the Site and of the Muni Substation Building at Turk and Fillmore Streets. Agency staff then completed and published an addendum to the MND (the “Addendum”) on November 3, 2008. The Addendum concluded that the revisions to the proposed development of the Muni Substation Building and Central Freeway Parcel C would not result in any new or substantially more adverse significant effects or require any new mitigation measures not identified in the final MND, and that the conclusions reached in the MND remained valid.
7. The MND was prepared pursuant to CEQA Guidelines Section 15070 *et. seq.* The Addendum was prepared pursuant to CEQA Guidelines Section 15164.
8. On February 7, 2007, the ENA expired because the Development Team could not achieve the supportive services related milestones.
9. On July 21, 2008, the Agency released a Request for Proposals for development teams to own, operate, and provide related supportive services for the Project.
10. On September 29, 2008, a total of four development teams submitted proposals, and all applications were considered qualified. The four teams presented to the Western Addition Citizens Advisory Committee on November 13, 2008 and December 11, 2008. On December 15, 2008, after all the development teams were interviewed by an interdisciplinary evaluation panel (the “Panel”), the Developer was selected based on its submitted proposal and the Panel recommended that the Agency enter into an ENA with the development team of Chinatown Community Development Center and Em Johnson Interest, Inc. (the “Developer”, together “MHRSC, L.P.”).
11. On May 5, 2009, the Commission approved an ENA with the Developer and a Predevelopment Loan Agreement in an amount not to exceed \$203,880.
12. On June 15, 2010, the Commission approved (1) a 50-year Ground Lease with a 49-year option to extend; and, (2) a Tax Increment Loan Agreement in an amount not to exceed \$15,465,000. The terms of the funding included a 55-year, 1% interest loan, payable from residual receipts.
13. On November 16, 2010, the Commission approved a First Amendment to the Ground Lease to modify the permitted uses of surplus cash by allowing up to 90% of the Agency’s share of any future surplus cash from the Project to be applied to the Loan, with the remaining percentage to be applied to the Agency’s residual Ground Lease Payment.

14. The Developer is now requesting a Second Amendment to the Ground Lease to modify how surplus cash will be distributed after repayment of the Agency's loan by requesting the \$50,000 cap on the 1/3 surplus cash amount received by the Developer be waived, but only after the Agency's loan has been fully repaid. The Developer is also requesting modification to the Schedule of Performance to reflect the current construction start dates and other related milestones.
15. The Western Addition Redevelopment Project Area A-2 expired as a redevelopment project area in January 2009 and reverted to the jurisdiction of the City and County of San Francisco. Accordingly, the Central Freeway Parcel C site is within the City's Market and Octavia Plan area.
16. The San Francisco Planning Commission certified the Final Environmental Impact Report for the Market and Octavia Plan, and adopted environmental findings pursuant to CEQA on April 5, 2007, in Motions No. 17406 and 17407, respectively.
17. The proposed Second Amendment to the Ground Lease would allow for a change in the distribution of surplus cash and modify the Schedule of Performance, but would not change the development activities to be conducted under the Agreement. Agency staff has determined that approval of the amended Agreement is an Agency administrative activity that is not a Project, as defined by CEQA Guidelines Section 15378(b)(5). The amendment will not independently result in a physical change in the environment and is not subject to environmental review under CEQA.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to execute a Second Amendment to the Ground Lease with MHRSC, L.P., a California limited partnership, substantially in the form lodged with the Agency General Counsel, to modify the distribution of surplus cash and modify the Schedule of Performance, for the development of the Mary Helen Rogers Senior Community, 100 units of very low-income senior rental housing on Central Freeway Parcel C, southwest corner of Golden Gate Avenue and Franklin Street; Citywide Housing Tax Increment Program.

APPROVED AS TO FORM:


James B. Morales
Agency General Counsel