

RESOLUTION NO. 40-2011

Adopted March 29, 2011

AUTHORIZING A GROUND LEASE WITH MERCY HOUSING CALIFORNIA XLIV, A CALIFORNIA LIMITED PARTNERSHIP, AND AUTHORIZING ACTIONS RELATED TO THE TRANSFER OF LAND TO THE AGENCY, FOR AN INITIAL TERM OF 65 YEARS, IN CONJUNCTION WITH THE DEVELOPMENT OF 150 UNITS OF VERY LOW- AND LOW-INCOME FAMILY RENTAL HOUSING AT 1180 FOURTH STREET (BLOCK 13 EAST) BY MERCY HOUSING CALIFORNIA XLIV, A CALIFORNIA LIMITED PARTNERSHIP, AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MISSION BAY SOUTH 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.
2. In accordance with the Law, the City and County of San Francisco (the “City”), acting through its Board of Supervisors, approved a Redevelopment Plan for the Mission Bay South Redevelopment Project Area by Ordinance No. 335-98 adopted on November 2, 1998. The Redevelopment Plan is referred to as the “Mission Bay South Redevelopment Plan.” In cooperation with the City, the Agency is responsible for implementing the Mission Bay South Redevelopment Plan.
3. The Mission Bay South Redevelopment Plan provides for the redevelopment, construction and revitalization of the area generally bounded by the China Basin Channel, Seventh and Mariposa Streets, and the San Francisco Bay and containing approximately 238 acres of land. The Mission Bay South Redevelopment Plan anticipates and describes a mixed-use development comprised of public open space, retail, commercial, entertainment uses, and parking and loading uses.
4. The Mission Bay South Owner Participation Agreement (the “OPA”) between the Agency and FOCIL-MB, LLC (the “Master Developer”) provides that the Master Developer will contribute land to the Agency, at no cost, for the development of affordable housing and the Agency will oversee the development of up to one thousand four hundred forty-five (1,445) affordable housing units including Units located at 1180 Fourth Street at Parcel 13 East (the “Site”).

5. On April 17, 2008, the Agency issued a Housing Development Request for Qualifications (the "RFQ") for the development and management of up to one hundred thirty-four (134) units of low- and moderate-income rental housing at the Site. The RFQ stated that up to twenty percent (20%) of the Units would be set aside for formerly homeless households. Agency staff made extensive outreach efforts to attract submittals from qualified developers by the June 19, 2008 deadline. The RFQ set forth specific submission requirements to be met in order to be fully reviewed by Agency staff. The RFQ also set forth that the Agency would seek to enter into an exclusive negotiations agreement for development rights on the Site.
6. The Agency received four submittals, three of which met the minimum threshold requirements defined in the RFQ. After a thorough review of the submittal, an interview with an interdisciplinary evaluation panel, and presentation to the Mission Bay Citizens Advisory Committee, the evaluation panel unanimously determined that the development team lead by Mercy Housing California XLIV, a California limited partnership ("Borrower"), or its affiliate had the strongest submittal and was well-suited to enter into an ENA with the Agency.
7. The Citywide Affordable Housing Loan Committee reviewed Agency staff's evaluation of the request for funding (the "Loan Evaluation") at its meeting on October 17, 2008, and recommended the following actions to the Agency Commission: (1) authorizing the Agency to enter into a Predevelopment Loan Agreement in an amount not to exceed \$2,800,000 subject to certain conditions in Section 13 of the Loan Evaluation and (2) authorizing the Agency to enter into an Exclusive Negotiations Agreement ("ENA") with the Borrower providing for the development of the Project.
8. At its meeting on December 2, 2008, the Agency Commission authorized the Agency Executive Director to negotiate and execute a Predevelopment Loan Agreement ("Predevelopment Loan") for predevelopment activities and the ENA with the Borrower to enable the Borrower to pursue predevelopment activities for the construction and management of up to one hundred thirty-four (134) units of affordable, rental, family housing (the "Project"). As a result, the Project will set aside up to twenty percent (20%) of the units for formerly homeless households.
9. The Project was initially known as 1000 Fourth Street; however, in December, 2010, the Department of Building Inspection assigned the Project the address of 1180 Fourth Street. The Project is now known as 1180 Fourth Street.
10. In April 2009, the Borrower and the Mayor's Office of Housing jointly submitted an application to the State of California Department of Housing and Community Development ("HCD") for Transit Oriented Development Housing Program ("TOD") funds for the Project. Prior to submitting the application, it was determined beneficial to increase the size of the Project to one hundred fifty (150)

units. In June 2009, HCD awarded the Project Seventeen Million Dollars (\$17,000,000). Of that amount, Twelve Million Three Hundred Thousand Dollars (\$12,300,000) will be used for construction of the affordable housing at the Site; this award from HCD will leverage Agency funding for the Project. The remaining Four Million Seven Hundred Thousand Dollars (\$4,700,000) of the TOD award will be used for offsite infrastructure directly benefitting the Project.

11. The Borrower now requests that the parties enter into a sixty-five (65) year ground lease with one thirty-four (34) year extension option (the "Ground Lease") based on terms and preconditions to be met prior to close of construction financing for the Project.
12. The Borrower is also requesting an amended and restated loan agreement ("Amended and Restated Loan Agreement") for an amount not to exceed Thirty-Nine Million One Hundred Thirty One Thousand and Four Hundred Forty Two Dollars (\$39,131,442), which sum includes: Two Million Eight Hundred Thousand Dollars (\$2,800,000) of the existing predevelopment loan; Three Million Five Hundred Thousand and Sixty-Four Dollars (\$3,500,064) for additional predevelopment expenses; and Thirty-Two Million Eight Hundred Thirty-One Thousand Three Hundred Seventy-Eight Dollars (\$32,831,378) for construction and permanent financing of the Project.
13. The Agency expresses the intent to issue multifamily mortgage revenue bonds in an aggregate amount not to exceed Fifty Million Dollars (\$50,000,000) to finance construction of the Project.
14. Concurrently herewith, the Agency Commission is being asked to authorize the Agency Executive Director to enter into the above-referenced Amended and Restated Loan Agreement and execute the documents so referenced.
15. The Ground Lease has received appropriate environmental review. 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 (including 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 the environmental findings. Subsequent to certification of the FSEIR, the Agency has issued addenda to the FSEIR. Hereinafter, the Final Subsequent Environmental Impact Report, including any addenda thereto, shall be collectively referred to as the "FSEIR."

16. 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, analyzed the inclusion of the San Francisco Police Headquarters in the proposed Public Safety Building on Block 8 in Mission Bay South.
17. The FSEIR is a program EIR under CEQA Guidelines Section 15168 and a redevelopment plan EIR under CEQA Guidelines Section 15180. The Ground Lease is an undertaking pursuant to and in furtherance of the Plan in conformance with CEQA Section 15180 (“Implementing Action”).
18. 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; these files are part of the record before the Agency Commission.
19. The FSEIR findings and statement of overriding considerations adopted in accordance with CEQA by the Agency Commission by Resolution No. 183-98 dated September 17, 1998, 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 such resolutions are incorporated herein by reference as applicable to the Implementing Action.
20. Agency staff has reviewed the Ground Lease and finds it acceptable and recommends approval thereof.

FINDINGS

The Agency finds and determines that the Ground Lease 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:

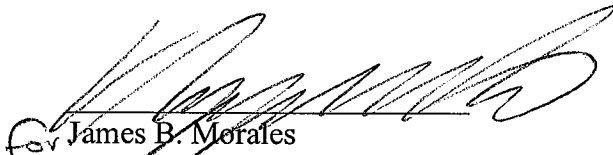
1. The Implementing Action is within the scope of the project analyzed in the FSEIR and no major revisions are required due to the involvement of new significant environmental effects or a substantial increase in the severity of significant effects previously identified in the FSEIR;
2. No substantial 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; and,
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 and addenda, and hereby adopts the CEQA findings set forth in Resolution No. 183-98 incorporated herein and those set forth above.
- (2) The Executive Director or his designee is authorized to enter into a Ground Lease with Mercy Housing California XLIV, a California limited partnership, associated with the development of up to 150 units of affordable rental family housing, substantially in the form lodged with the Agency General Counsel.

APPROVED AS TO FORM:


for James B. Morales
Agency General Counsel