

RESOLUTION NO. 114-2011

Adopted December 6, 2011

CONDITIONALLY AUTHORIZING THE EXECUTIVE DIRECTOR TO DRAFT AN EXCLUSIVE NEGOTIATION AGREEMENT, APPROVAL OF WHICH IS SUBJECT TO A STATE SUPREME COURT DECISION REGARDING THE AUTHORITY OF REDEVELOPMENT AGENCIES, WITH GOLUB REAL ESTATE CORPORATION AS LEAD DEVELOPER FOR A HIGH-DENSITY RESIDENTIAL PROJECT ON BLOCKS 6/7, LOCATED ON FOLSOM STREET BETWEEN FREMONT AND BEALE STREETS; TRANSBAY REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. On July 6, 2011, pursuant to an Informational Memorandum to the Agency Commission, staff issued a Request for Proposals (“RFP”) for development teams to design and develop a high-density, mixed-income residential project on Blocks 6/7 in the Transbay Redevelopment Project Area. The development program for Blocks 6/7 includes approximately 550 market-rate and affordable housing units, neighborhood serving retail, and a child-care facility integrated into two master-planned blocks.
2. Development teams were asked to submit qualifications, a basic development concept, and a financial proposal, including a minimum total purchase price of \$18 million for the land attributable to the market-rate portion of the project and a maximum Agency subsidy of \$200,000 per unit for the stand-alone affordable housing. The RFP also informed potential applicants of the potential impact of newly-enacted state laws suspending redevelopment agency activities and establishing a Voluntary Alternative Redevelopment Program. Pursuant to the Redevelopment Plan for the Transbay Redevelopment Project Area all sales proceeds will go to the Transbay Joint Powers Authority (“TJPA”) to help pay the cost of building the new Transbay Transit Center.
3. Four proposals were received from the following development teams (listed alphabetically by lead developer): (1) Avant Housing LLC with Chinatown Community Development Corporation and Bridge Housing; (2) Golub Real Estate Corporation with Mercy Housing California; (3) Grosvenor Americas with Eden Housing; and (4) Related Companies with Tenderloin Neighborhood Development Corporation. The proposals were evaluated by a selection panel comprised of Agency staff, one representative from the Transbay Citizen’s Advisory Committee (“CAC”), and one representative from the Planning Department (collectively, the “Selection Panel”), with assistance from a professional real estate consulting firm.

4. The multiple objectives of the Selection Panel were to select a proposal that: (1) achieves the highest purchase price, (2) maximizes the total number of affordable units, (3) achieves the lowest possible per unit subsidy for the affordable units, and (4) maximizes efficiencies and cost savings across the entire project. Based on evaluation of the written proposals, as well as interviews with each team, the Selection Panel scored the proposals in the following order (highest score to lowest score): 1) Golub Real Estate Corporation; 2) the Related Companies; 3) Avant Housing; and 4) Grosvenor Americas. The proposal from the Golub Real Estate Corporation (“Golub”) included a purchase price of \$30,000,000 payable at the transfer of title, 545 residential units (348 market-rate units, 61 inclusionary affordable units and 136 Agency-subsidized affordable units), and a requested Agency subsidy of \$186,000 per affordable unit.
5. Based on the outcome of the selection process, staff is recommending that the Executive Director draft an Exclusive Negotiation Agreement (the “ENA”) with Golub for the development of Blocks 6/7 for subsequent approval by the Agency Commission if and when the state suspension on new redevelopment activities is lifted. The Transbay CAC unanimously endorsed this recommendation at its meeting of November 16, 2011.
6. Assembly Bill (“AB”) 26, passed in June 2011 and codified in relevant part in California’s Health and Safety Code Sections 34161 – 34168, prohibits redevelopment agencies from incurring new or expanding existing monetary or legal obligations, subject to very limited exceptions. Assembly Bill 27, also passed in June 2011 and codified in Health and Safety Code Sections 34192-34196, provides for redevelopment agencies to continue if the city or county in which the agency is located adopts an ordinance committing to make a payment for local education and other taxing entities. The California Supreme Court is currently reviewing the constitutionality of these laws after recently hearing oral arguments. California Redevelopment Association v. Matosantos.
7. In selecting Golub, the Commission’s action would not constitute a new monetary or legal obligation. Instead, a new obligation would be incurred only if and when the California Supreme Court resolves the constitutionality of AB 26 and 27 in a decision allowing redevelopment agencies to continue, the City and County of San Francisco adopts--if necessary--an ordinance under AB 27, and the Agency Commission subsequently approves an ENA. Therefore, the current action being considered by the Commission is “conditional.” and unless and until the California Supreme Court restores the authority of redevelopment agencies, the Agency may not take any binding action on the selection of a developer under the RFP. Accordingly, the Commission will only approve an ENA at a future date when the Agency’s authority is restored by legal or legislative action.
8. The ENA will comply with the submitted proposal, the RFP, and Agency Policy, including the Agency’s Small Business Enterprise Agreement and all other contracting policies and requirements. The RFP also required the selected


development team pay a deposit of \$250,000 within 30 days after the execution of the ENA (the "ENA Deposit"). The ENA Deposit will be used by the Agency to reimburse and fund its third party costs related to negotiating the ENA and subsequent agreements. The Agency's costs for issuing the RFP were paid by the TJPA.

9. Conditionally authorizing the Executive Director to draft an ENA with Golub is an Agency administrative activity that is not a "project" as defined by California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(5). This action allows for negotiations between the Agency and Golub and will not independently result in a physical change in the environment and is not subject to environmental review under CEQA. Subsequent Agency actions are required to enter into an ENA and to provide approvals for the future development project.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is conditionally authorized to draft an Exclusive Negotiations Agreement, approval of which is subject to a State Supreme Court decision regarding the authority of redevelopment agencies, with Golub Real Estate Corporation as lead developer for a high-density residential project on Blocks 6/7, located on Folsom Street between Fremont and Beale Streets, in the Transbay Redevelopment Project Area.

APPROVED AS TO FORM:


James B. Morales
Agency General Counsel