

Commission on Community Investment and Infrastructure

RESOLUTION NO. 30-2013

**Adopted June 18, 2013**

CONDITIONALLY AUTHORIZING A PREDEVELOPMENT LOAN AGREEMENT WITH MISSION BAY BLOCK 7 HOUSING PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP (CONSISTING OF THE RELATED COMPANIES OF CALIFORNIA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY AND CHINATOWN COMMUNITY DEVELOPMENT CENTER, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION), IN AN INITIAL AMOUNT NOT TO EXCEED \$2,000,000, FOR PREDEVELOPMENT WORK ASSOCIATED WITH THE DEVELOPMENT OF 200 AFFORDABLE RENTAL HOUSING UNITS AT MISSION BAY SOUTH, BLOCK 7 WEST, SUBJECT TO THE CALIFORNIA DEPARTMENT OF FINANCE'S APPROVAL OR NON-OBJECTION TO THE FOURTH AMENDMENT TO THE MISSION BAY SOUTH OWNER PARTICIPATION AGREEMENT, AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA

WHEREAS, In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 et seq. the "CRL"), the former San Francisco Redevelopment Agency (the "Agency") undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco; and,

WHEREAS, In accordance with the CRL, the City, acting through its Board of Supervisors, approved a Redevelopment Plan for the Mission Bay South Redevelopment Project Area (the "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 was responsible for implementing the Mission Bay South Redevelopment Plan; and,

WHEREAS, 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; and,

WHEREAS, 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 former 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 in the Project Area; and,

WHEREAS, The Regents of the University of California ("The Regents") and the former Agency entered into a Disposition and Development Agreement for Block 7 East in the Project Area, on October 18, 2005 (the "2005 DDA") to develop affordable housing. The former Agency and The Regents entered into a second Disposition and Development Agreement on March 18, 2010 to, among other things, develop affordable housing on Block 7 West (the "2010 DDA," and together with the 2005 DDA, the "DDAs"); and,

WHEREAS, On June 4, 2013, the OCII Commission conditionally approved a Fourth Amendment to the Mission Bay South Owner Participation Agreement ("Fourth Amendment") to remove the affordable housing restriction on Block 7 East and to allow the Mission Bay master developer (FOCIL) to convey Block 7 East to Family House, Inc. On June 10, 2013, the Oversight Board approved the Fourth Amendment, which is currently being reviewed by the Department of Finance; and,

WHEREAS On June 4, 2013, The Regents terminated its rights to Block 7E and paid, pursuant to the 2005 DDA, \$5 million in liquidated damages to OCII for affordable housing; and,

WHEREAS, Mission Bay Block 7 Housing Partners, L.P., a California Limited Partnership (the "Developer" or "Borrower") wishes to ground lease Block 7 West, as modified by a lot line adjustment between Block 7 West and Block 7 East (Assessor's Block 8711, Lot 31 and a portion of Lot 32) (the "Site"), and develop, own and operate an affordable housing project with approximately 200 residential units that shall be affordable on average up to 60% of Area Median Income (the "Residential Space") and approximately 10,000 square feet of retail space thereon (the "Commercial Space," and together with the Residential Space, the "Project"). In connection therewith: (i) the 2005 DDA was terminated; (ii) the 2010 DDA will be assigned, subject to OCII's approval, from The Regents to Borrower; (iii) The Regents will make a payment of \$2,400,000 to OCII in lieu of the liquidated damages payment required under the 2010 DDA; and (iv) the 2010 DDA will be amended and restated to reflect the assignment to the Borrower and the revised Project (the "Amended Housing Project DDA"); and,

WHEREAS, The Citywide Affordable Housing Loan Committee reviewed staff's evaluation of the request for funding at its meeting on June 3, 2011, and recommended to the former Agency Commission that it authorize a predevelopment loan to the Developer of up to \$3,600,000 of Mission Bay Restricted Tax Increment funds (the "Funds") subject to certain terms and conditions. Due to current availability of Funds, staff recommends funding the predevelopment loan in two tranches with authorization for the first tranche of \$2,000,000 at this time (the "Loan"). The additional \$1,600,000 of the Funds is subject to consideration by the Commission at a future date; and,

WHEREAS, Pursuant to the State redevelopment dissolution law known as AB X1 26, which was subsequently amended under AB 1484 (together, the "Redevelopment

Dissolution Law”), the former Agency was dissolved as of February 1, 2012 and never authorized the Loan; and,

WHEREAS, On October 2, 2012 the San Francisco Board of Supervisors, acting as legislative body of the Successor Agency, passed Ordinance 215-12, which outlined the rights and responsibilities of OCII as the Agency’s successor agency, including but not limited to the retained existing enforceable obligations for the development of affordable housing required for the Project Area. Accordingly, under Ordinance 215-12 and Dissolution Law, OCII has the obligation and authority to provide the Funds for the Project; and,

WHEREAS, Under Resolution No. 11-2012 (Aug. 28, 2012) adopted by the Oversight Board of the City and County of San Francisco and approved by the Department of Finance, the expenditure of \$2,000,000 for this Loan was approved in line item #183 of Recognized Obligation Payment Schedule for the January 1, 2013 to June 30, 2013; and,

WHEREAS, For purposes of implementation and to ensure consistency with the City’s overall affordable housing goals and priorities, OCII has engaged the Mayor’s Office of Housing and Community Development (MOHCD) to provide project management, loan underwriting, construction monitoring and design review, including approving and processing loan disbursements. Upon completion of the Project, OCII intends to transfer the affordable housing loan obligation, asset, and ground lease to MOHCD as the designated Successor Housing Agency of the City and County of San Francisco under Board Resolution 11-12, as required by Dissolution Law; and,

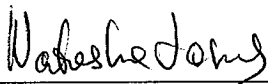
WHEREAS, The Predevelopment Loan Agreement will provide funding for predevelopment work associated with the construction of the Project, and staff has reviewed the Loan and finds it to be within the scope of the project analyzed in the FSEIR (per the California Environmental Quality Act) and addenda and no additional environmental review is needed; and,

WHEREAS, A copy of the Predevelopment Loan Agreement is on file with the Secretary of this Commission; now, therefore, be it

RESOLVED, Subject to the Department of Finance’s non-objection to, or approval of, the Fourth Amendment to the Mission Bay South Owner Participation Agreement, the OCII Commission authorizes the Executive Director to enter into a Predevelopment Loan Agreement, substantially in the form of the agreement on file with the Secretary of the Commission and approved as to form by the City Attorney, with Mission Bay Block 7 Housing Partners, L.P., a California limited partnership, in an amount not to exceed \$2,000,000, for predevelopment work for the Project, to make expenditures consistent with Redevelopment Dissolution Law, provided the disbursement of these funds is subject to Commission approval of the Amended Housing Project DDA, to make such changes to the agreement that are in the best interest of OCII and do not materially increase the obligations

or liability of OCII, and to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of June 18, 2013.

  
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Commission Secretary