

**COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE**

RESOLUTION NO. 71-2014

**Adopted August 19, 2014**

**APPROVING A REVISION TO THE TRANSBAY BLOCK 7 SCHEMATIC DESIGN PACKAGE, ORIGINALLY APPROVED BY THE COMMISSION ON APRIL 16, 2013, TO REORGANIZE SOME OF THE GROUND FLOOR USES TO CREATE BUILDING EFFICIENCIES AND ADD A STORY TO INCREASE THE NUMBER OF AFFORDABLE UNITS FROM 77 TO 85 (INCLUDING ONE MANAGER'S UNIT) AND MAKING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; TRANSBAY REDEVELOPMENT PROJECT AREA**

WHEREAS, The California Legislature in 2003 enacted Assembly Bill 812 ("AB 812") authorizing the demolition of the historic Transbay Terminal building and the construction of the new Transbay Transit Center ("TTC") (Stat. 2003, Chapter 99, codified at § 5027.1 of the Cal. Public Resources Code). AB 812 also mandated that 25% of the residential units developed in the area around the Center "shall be available to" low income households, and an additional 10% "shall be available to" moderate income households if the City and County of San Francisco ("City") adopted a redevelopment plan providing for the financing of the Center; and,

WHEREAS, In 2003, in an agreement with the Transbay Joint Powers Authority ("TJPA") and the City, the State agreed to transfer approximately 10 acres of State-owned property ("State-owned parcels") in and around the then-existing Transbay Terminal to the City and the TJPA, which would then sell the State-owned parcels and use the revenues from the sales to finance the Center ("Cooperative Agreement"). The City agreed, among other things, to commit property tax revenue through its Redevelopment Agency to the Center. Under the Cooperative Agreement, the State relied on tax increment financing under a redevelopment plan to improve and sell the parcels; and,

WHEREAS, The Board of Supervisors of the City and County of San Francisco approved a Redevelopment Plan for the Transbay Redevelopment Project Area ("Project Area") by Ordinance No. 124-05, adopted on June 21, 2005 and by Ordinance No. 99-06, adopted on May 9, 2006 (the "Redevelopment Plan"). The Redevelopment Plan provided for the financing of the TTC and established a program for the Redevelopment Agency of the City and County of San Francisco (the "Former Agency") to redevelop and revitalize the blighted Project Area; and,

WHEREAS, In 2005, at the same time the Redevelopment Plan was adopted, the Former Agency adopted the Development Controls and Design Guidelines for the Transbay Redevelopment Project (the "Development Controls"), which provides detailed controls and recommendations for development within Zone One of the

Project Area, including Blocks 6/7. In 2006, the Former Agency adopted the Transbay Redevelopment Project Area Streetscape and Open Space Concept Plan (the “Streetscape and Open Space Plan”), which provides detailed concept plans for all public infrastructure in the Project Area necessary for the development of the State-owned parcels; and,

WHEREAS, In 2006, the TJPA and the Former Agency executed an agreement (“Implementation Agreement”), which required the Former Agency to take the lead role in facilitating the development of the State-owned parcels. Specifically, the Implementation Agreement required the Former Agency to: (1) prepare and sell the State-owned parcels to third parties, (2) deposit the sale proceeds into a trust account to help the TJPA pay the cost of constructing the TTC, (3) implement the Redevelopment Plan to enhance the financial feasibility of the Project, and (4) fund the state-mandated affordable housing program; and,

WHEREAS, On July 6, 2011, pursuant to the Implementation Agreement, the Former Agency issued a Request for Proposals (the “RFP”) from development teams to design and develop a high-density, mixed-income residential project on Blocks 6/7 in the Project Area. On December 6, 2011, after a competitive selection process, the Former Agency Commission authorized staff to enter into negotiations for the development of Blocks 6/7 with the development team lead by Golub Real Estate Corp. (“Golub”) and Mercy Housing California (“Mercy”), along with Solomon Cordwell and Buenz (“SCB”) as the lead architect for the market-rate component of the development and Santos Prescott and Associates (“Santos Prescott”), a small business enterprise, as the architect for the affordable component; and,

WHEREAS, On February 1, 2012, the Former Redevelopment Agency was dissolved pursuant to the provisions of California State Assembly Bill No. 1X 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) (“AB 26”), codified in relevant part in California’s Health and Safety Code Sections 34161 – 34168 and upheld by the California Supreme Court in California Redevelopment Assoc. v. Matosantos, No. S194861 (Dec. 29, 2011). On June 27, 2012, AB 26 was subsequently amended in part by California State Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”). (Together, AB 26 and AB 1484 are referred to as the “Redevelopment Dissolution Law.”); and,

WHEREAS, Pursuant to the Redevelopment Dissolution Law, all of the Former Redevelopment Agency’s assets (other than housing assets) and obligations were transferred to the Office of Community Investment and Infrastructure (“OCII”), as Successor Agency to the Former Agency. Some of the Former Agency’s housing assets were transferred to the City, acting by and through the Mayor’s Office of Housing and Community Development (“MOHCD”); and,

WHEREAS, Redevelopment Dissolution Law authorizes successor agencies to enter into new agreements if they are “in compliance with an enforceable obligation that existed prior to June 28, 2011.” Cal. Health & Safety Code § 34177.5 (a). Under this limited authority, a successor agency may enter into contracts if a pre-existing enforceable obligation requires that action. See also Cal. Health & Safety Code §

34167 (f) (providing that the Redevelopment Dissolution Law does not interfere with an agency's authority under enforceable obligations to "enforce existing covenants and obligations, or . . . perform its obligation."). The Implementation Agreement and several other Transbay obligations are "enforceable obligations" requiring OCII to take the actions proposed by this Resolution. Cal. Health & Safety Code § 34171 (d) (1); and,

WHEREAS, On April 15, 2013 the California Department of Finance ("DOF") approved the OCII's request that DOF determine "finally and conclusively" that the Implementation Agreement, AB 812 and the Pledge Agreement are enforceable obligations that will not require additional DOF review in the future. On September 10, 2013, through an email from DOF's Assistant Program Budget Manager to OCII's Executive Director, DOF interpreted this Final and Conclusive Determination as meaning that "any sale, transfer, or conveyance of property related to this project, and as outlined in the project documents, is authorized" and further verified that it would not initiate an "objection to any sale, transfer and/or conveyance of property related to this project."; and,

WHEREAS, The original proposal from Golub/Mercy included a purchase price of \$30,000,000, 545 residential units (409 market-rate units, including 61 inclusionary units and 136 stand-alone affordable units), and a requested subsidy from the Former Agency for the stand-alone affordable units of approximately \$200,000 per unit. However, due to the dissolution of the Former Agency on February 1, 2012, and the challenges that created for funding the affordable component of the development, the original proposal from Golub/Mercy was revised; and,

WHEREAS, Under the revised proposal, Blocks 6/7 will include a total of 556 residential units, as well as ground-floor retail, shared open space and underground parking. Based on this revised proposal, OCII staff negotiated the terms of a disposition and development agreement (the "DDA") with Golub/Mercy for the sale of Blocks 6/7 and the development of Block 6 with 409 market-rate units, 70 affordable units, shared open space, and a shared underground parking garage. The DDA, however, does not cover the development of Block 7, which includes 77 affordable units, a child care facility and shared open space, because it will be constructed at a future date by Mercy, when additional affordable housing funding becomes available; and,

WHEREAS, OCII staff requested that the development team complete the schematic design for Blocks 6/7 all at once, even though the Block 7 Affordable Project will be constructed later. The Development Controls and the RFP envisioned both parcels being developed as a fully integrated project, so that the blocks will complement each other and work together, even though they are being designed by different architects. The development team agreed and SCB and Santos Prescott worked together and with OCII staff to prepare a unified schematic design that was reviewed and approved by the Transbay Citizens Advisory Committee (the "CAC") at its January 10, 2013, meeting; and,

WHEREAS, On April 16, 2013, Commission approved the Disposition and Development Agreement for Block 6 and schematic designs (the "Schematic Design") for Blocks 6 and 7; and,

WHEREAS, In March 2014, Mercy Housing California 64, L.P. (the "Developer"), Mercy's development entity for Block 7, proposed a new revised plan for Transbay Block 7 that adds 8 units on an additional floor, makes some minor modifications to the ground floor, eliminates the basement level, and keeps the OCII subsidy at \$200,000 per unit, consistent with the RFP and the terms of the DDA. The revised design and additional height are consistent with the Transbay Redevelopment Project Area Development Controls and Design Guidelines. Golub/Mercy's approved Schematic Design for the Project included 77 units, and new revised plans include 85 units, achieved by adding an extra floor to building 7B (the easternmost building). The new revised Transbay Block 7 will be an 85 unit (34 1-bedroom units, 32 2-bedroom units, 18 3-bedroom units and 1 manager's unit) family project that will include a child care facility, along with an associated open space (the "Project"); and

WHEREAS, The new proposed development plan for the Project brings the below market rate percentage for Transbay Blocks 6 and 7 up from 26% in the initial revised plan to 28% in the new revised plan. OCII staff recommends this new revised unit mix and revised ground floor plan because these revisions both maintain a reasonable OCII funding amount that is within the guidelines established in the original RFP, and provide for additional affordable units that will help OCII to achieve the 35 percent affordable housing for the Project Area as required under AB 812; and

WHEREAS, A copy of the revised Schematic Design is on file with the Commission Secretary in the OCII office; and,

WHEREAS, On April 20, 2004, the Former Agency Commission adopted Resolution No. 45-2004, certifying the Final Environmental Impact Statement/Environmental Impact Report (the "Final EIS/EIR") for the Transbay Redevelopment Project, and on January 25, 2005 adopted Resolution No. 11-2005, adopting findings under the California Environmental Quality Act ("CEQA"), a Statement of Overriding Considerations and a Mitigation Monitoring and Reporting Program in connection with the adoption of the Redevelopment Plan. The Board of Supervisors and the City Planning Commission adopted similar findings. Because the Final EIS/EIR includes evaluation of the new Transbay Transit Center, the Transbay Joint Powers Authority ("TJPA") also adopted environmental findings; and,

WHEREAS, The Final EIS/EIR includes by reference a number of addenda. The addenda include the following:

- a. Addendum #1 – adopted by the TJPA on June 2, 2006, assessed the additional use of the temporary Transbay Terminal by Greyhound, another transit carrier; and,
- b. Addendum #2 – adopted by the TJPA on April 19, 2007, assessed modifications of the rail tracks and underground tunnels leading to the new Transit Center; and,
- c. Addendum #3 – adopted by the TJPA on January 17, 2008, evaluated the addition of 546 Howard Street to the Transit Center; and,
- d. Addendum #4 – adopted by the TJPA on October 17, 2008, evaluated the configuration, boarding platforms and passenger waiting areas, and bus staging areas of the temporary Terminal, and associated modifications to bus lanes on surrounding streets; and,
- e. Addendum #5 – adopted by the TJPA on April 9, 2009, evaluated the building design of the new Transit Center; and,
- f. Addendum #6 – adopted by the TJPA on December 8, 2011, evaluated minor refinements to the proposed bus ramp component of the Transit Center; and,

WHEREAS, In adopting each Addendum, the TJPA determined that modifications to the Project would not require subsequent environmental review and would not require major revisions to the Final EIS/EIR; and,

WHEREAS, The Final EIS/EIR is a program EIR under CEQA Guidelines Section 15168 and a redevelopment plan EIR under CEQA Guidelines Section 15180. The Final EIS/EIR is also a project EIR under CEQA Guidelines Section 15161 for certain structures and facilities, including the Temporary Terminal. The development of approximately 556 units of market-rate and affordable housing on Transbay Blocks 6/7 is an undertaking pursuant to and in furtherance of the Redevelopment Plan in conformance with CEQA Sections 15180 and 15168; and,

WHEREAS, OCII staff has reviewed the Schematic Design for Transbay Blocks 6/7 and finds the proposed actions to be Implementing Actions to facilitate construction of market-rate and affordable housing on Transbay Blocks 6/7 and within the scope of the Project analyzed in the Final EIS/EIR and subsequent addenda and no additional environmental review is required pursuant to State CEQA Guidelines Sections 15180 and 15168; and,

WHEREAS, OCII staff, in making the necessary findings for the Implementing Actions contemplated herein, considered and reviewed the Final EIS/EIR and addenda, has made documents related to the Implementing Actions, the Final EIS/EIR, and addenda available for review by the Commission on Community Investment and Infrastructure (“CCII”) and the public, and these files are part of the record before CCII; and,

WHEREAS, The Final EIS/EIR findings and statement of overriding considerations adopted in accordance with CEQA by the Agency Commission by Resolution No. 11-2005 dated January 25, 2005 were and remain adequate, accurate and objective and are incorporated herein by reference as applicable to the Implementing Actions; now therefore, be it

RESOLVED, The Commission on Community Investment and Infrastructure finds and determines that the conditional approval of the Schematic Design for Blocks 6/7 is an Implementing Action within the scope of the project analyzed in the Final EIS/EIR and Addenda and requires no additional environmental review pursuant to State CEQA Guidelines Sections 15180, 15168, 15162 and 15163 for the following reasons:

- a. The Implementing Actions are within the scope of the project analyzed in the Final EIS/EIR and Addenda 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 Final EIS/EIR; and,
- b. No substantial changes have occurred with respect to the circumstances under which the project analyzed in the Final EIS/EIR and Addenda was undertaken that would require major revisions to the Final EIS/EIR due to the involvement of new significant environmental effects, or a substantial increase in the severity of effects identified in the Final EIS/EIR; and,
- c. No new information of substantial importance to the project analyzed in the Final EIS/EIR and Addenda has become available which would indicate that (a) the Implementing Actions will have significant effects not discussed in the Final EIS/EIR; (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 Final EIS/EIR will substantially reduce one or more significant effects on the environment; and, be it further

RESOLVED, The Commission on Community Investment and Infrastructure, acting as the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, hereby approves the revised Schematic Design for a proposed high-density residential project on Transbay Block 7, located on Clementina Street between Fremont and Beale Streets, subject to the following conditions:

1. The building materials, colors, finishes, architectural detailing (including window details) shall be subject to further review and approval by OCII staff during the Design Development phase. Materials and colors shall be provided as part of the review. Mock-ups of sufficient size shall be built on construction

sites during an early phase of construction for OCII staff review and approval to ensure consistency with this Schematic Design.

2. The design of the trash and recycling areas shall be subject to further review and approval by OCII staff during the Design for Development phase to ensure that they allow for direct pick-up by the solid waste collector from the service areas to avoid trash and recycling bins on-street.
3. The generator and transformer rooms and other utility spaces shall be minimized and located along Clementina Street to the maximum extent possible.
4. All building signage shall be subject to further review by OCII staff review and approval. A signage plan shall be prepared prior to or concurrent with Design Development for OCII staff approval.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of August 19, 2014.

  
Commission Secretary