

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 28-2017

AUTHORIZING AN EXCLUSIVE NEGOTIATIONS AGREEMENT AND A PREDEVELOPMENT LOAN AGREEMENT IN AN AMOUNT NOT TO EXCEED \$3,495,000, WITH MERCY HOUSING CALIFORNIA 78, L.P., A CALIFORNIA LIMITED PARTNERSHIP, FOR THE DEVELOPMENT OF APPROXIMATELY 140 AFFORDABLE FAMILY RENTAL HOUSING UNITS (INCLUDING ONE MANAGER’S UNIT) FOR EXTREMELY LOW AND LOW-INCOME FAMILIES AND A CHILDCARE FACILITY AT MISSION BAY 6W, PROVIDING NOTICE THAT THIS APPROVAL IS WITHIN THE SCOPE OF THE MISSION BAY REDEVELOPMENT PROJECT APPROVED UNDER THE MISSION BAY FINAL SUBSEQUENT ENVIRONMENTAL IMPACT REPORT (“FSEIR”), A PROGRAM EIR, AND ADOPTING ENVIRONMENTAL REVIEW 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 Redevelopment Agency of the City and County of San Francisco (the “Former Agency”) undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco (the “City”); and,

WHEREAS, In accordance with the CRL, the City, acting through its Board of Supervisors (“Board”), 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 “South Plan.” The Plan and its implementing documents, as defined in the Plan, constitute the “Plan Documents.” In cooperation with the City, the Former Agency was responsible for implementing the South 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 “South 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 one thousand one hundred eight (1,108) affordable housing units in the Project Area, with the ability to construct an additional 110 affordable housing units, pending assessment of the development impacts and any necessary approvals, for

a maximum total of one thousand one hundred and eight (1,218) affordable housing units; and,

WHEREAS, Pursuant to California Health and Safety Code §§ 34170 *et seq.* (the “Redevelopment Dissolution Law”), the Former Agency was dissolved as of February 1, 2012; and,

WHEREAS, On November 1, 2005, the Former Agency approved, by Resolution No 178-2005, the Major Phase for Blocks 2-7 and 13 that initially included Mission Bay South Block 6 West as an affordable housing site; and,

WHEREAS, The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (commonly known as the Office of Community Investment and Infrastructure) (the “Successor Agency” or “OCII”) is completing the enforceable obligations of the Former Agency in the Project Area, under the authority of the CRL as amended by the Redevelopment Dissolution Law, and under San Francisco Ordinance No. 215-12 (Oct. 4, 2012) (establishing the Successor Agency Commission (“Commission”) and delegating to the Commission the state authority under the Redevelopment Dissolution Law); and,

WHEREAS, On January 24, 2014, the California Department of Finance (“DOF”) determined “finally and conclusively” that the South OPA, including its affordable housing obligations and tax allocation pledge agreement is an enforceable obligation under the Dissolution Law; and,

WHEREAS, On August 23, 2016, OCII issued a Housing Development Request for Proposals (the “RFP”), which RFP is incorporated herein by this reference, to develop and operate affordable rental housing units for low income families as well as a childcare facility space on Mission Bay South Block 6 West (“MBS 6W”) identified as Block 8711, Lot 020 of that Final Map No. 3936, recorded on February 22, 2006 and filed on pages 54-58 in Book BB of the County’s Survey Maps (the “Site”); and,

WHEREAS, OCII received five submittals in response to the RFP, and determined that the applicant team consisting of Mercy Housing California (“Mercy”) (“Developer”), and the architecture firm Paulett Taggart Architects was well-suited to develop the Site; and,

WHEREAS, On February 21, 2017 the OCII Commission approved the selection of the Developer as the MBS 6W project development team through Resolution No. 07-2017; and,

WHEREAS, The Citywide Affordable Housing Loan Committee (the “Loan Committee”) reviewed OCII staff’s evaluation of the request for funding at its meeting on May 5, 2017, and recommended to the OCII Commission that it authorize OCII to provide the Developer with a predevelopment loan in an amount not to exceed \$3,495,000 (the “Funds”) subject to certain terms and conditions (the “Loan”); and,

- WHEREAS, Under Ordinance No. 215-12 and the Redevelopment Dissolution Law, OCII has the obligation and authority to provide the funds for the MBS 6W; and,
- WHEREAS, On January 25, 2016 under Resolution No. 1-2016, the Oversight Board of the City and County of San Francisco approved an expenditure for funding including MBS 6W through Item No. 405 of the Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (“ROPS 16-17”); 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 additional services, construction monitoring and design review, and loan disbursement review and processing. Upon completion of the MBS6W project, OCII intends, and is obligated to transfer under Redevelopment Dissolution Law, the affordable housing loan obligation, asset, and ground lease to MOHCD as the designated Housing Successor of the City and County of San Francisco under Board Resolution No. 11-12; and,
- WHEREAS, The Developer desires to enter into and execute an exclusive negotiations agreement (the “ENA”) and an associated Option to Ground Lease. The ENA’s key components include: a \$10,000 Performance Deposit; an initial term of eighteen (18) months, until January 18, 2019 (with up to a twelve-month extension, granted at the discretion of the OCII Executive Director); and a Schedule of Performance which includes performance milestones. The ENA will lead to a long-term ground lease; and,
- WHEREAS, A copy of the ENA, and the associated Option to Ground Lease, in substantially final form, is attached to the Commission memorandum associated with this Resolution; and,
- WHEREAS, The Developer desires to enter into and execute a loan agreement and promissory note (the “Predevelopment Loan Documents”), which will provide funding in an amount not to exceed \$3,495,000 for predevelopment work associated with the construction of the MBS 6W project; and,
- WHEREAS, A copy of the Predevelopment Loan Documents, in substantially final form, is attached to the Commission memorandum associated with this Resolution; and,
- WHEREAS OCII’s remaining discretionary approvals for the MBS 6W project consist of review for consistency under the Design Review and Document Approval Procedure (“DRDAP”) for Mission Bay South and subsequent commitment of permanent financing, including the execution of a long-term ground lease with the Developer; and,
- WHEREAS, On September 17, 1998, the Agency Commission adopted Resolution No. 182-98 which certified the Final Subsequent Environmental Impact Report (“FSEIR”) for Mission Bay North and South pursuant to the California Environmental Quality Act (“CEQA”) and State CEQA Guidelines Sections 15168 (Program EIR) and 15180 (Redevelopment Plan EIR). On the same date, the Agency Commission also adopted Resolution No. 183-98, which adopted environmental findings (and a

statement of overriding considerations), in connection with the approval of the Plan and other Mission Bay project approvals (the “Mission Bay Project”). 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 environmental findings and a statement of overriding considerations for the Mission Bay Project; and,

WHEREAS Subsequent to certification of the FSEIR, the Former Agency issued several addenda to the FSEIR (the “Addenda”). The Addenda do not identify any substantial new information or new significant impacts or a substantial increase in the severity of previously identified significant effects that alter the conclusions reached in the FSEIR; and,

WHEREAS, Copies of the FSEIR, addenda, and supporting documentation are on file with the Commission Secretary and are incorporated in this Resolution by this reference; and,

WHEREAS, The approval of the ENA, Option to Ground Lease and the Loan is an undertaking pursuant to and in furtherance of the Project in conformance with CEQA Section 21166 and the CEQA Guidelines Sections 15180, 15162, 15163, and 15164; and,

WHEREAS, The FSEIR and the CEQA Findings adopted by the Former Agency Commission by Resolution No. 183-98 on September 17, 1998, reflected the independent judgment and analysis of the Former Agency Commission, remain adequate, accurate and objective, and were prepared and adopted following the procedures required by CEQA, and the findings in such resolution are incorporated by this reference as applicable to the approval of the ENA and Loan; and,

WHEREAS, The FSEIR is a program EIR under CEQA Guidelines Section 15168 and a redevelopment plan EIR under CEQA Guidelines Section 15180. Authorizing an ENA and Loan for the purpose of developing the MBS 6W project are undertakings pursuant to and in furtherance of the Plan in conformance with CEQA Section 15180 (“Implementing Action”); and,

WHEREAS, OCII is making the necessary findings for the Implementing Action contemplated herein, considered and reviewed the FSEIR, and has made documents related to the Implementing Actions and the FSEIR files available for review by the Commission and the public, and these files are part of the record before the Commission; and,

WHEREAS, The FSEIR findings and statement of overriding considerations adopted in accordance with CEQA by the Former Agency Commission by Resolution No. 183-98 dated September 17, 1998, reflected the independent judgment and analysis of the Former Agency, were and remain adequate, accurate and objective and were prepared and adopted following the procedures required by CEQA, and the findings in said resolutions are incorporated herein by reference as applicable to the Implementing Action; now, therefore be it,

RESOLVED, The Commission finds and determines that the ENA and Loan documents facilitate the development of MBS 6W, which is an Implementing Action within the scope of the Mission Bay Project analyzed in the FSEIR and requires no further environmental review beyond the FSEIR pursuant to the State CEQA Guidelines Section 15180, 15162 and 15163 for the following reasons:

- (1) the Implementing Action is consistent with the Mission Bay Project analyzed in the FSEIR and does not require major revisions to the FSEIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant impacts; and,
- (2) no substantial changes have occurred with respect to the circumstances under which the Mission Bay Project analyzed in the FSEIR will be 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 relating to the development of affordable housing on MBS 6W has become available, which would indicate that (i) MBS 6W will have significant effects not discussed in the FSEIR; (ii) significant environmental effects will be substantially more severe; (iii) mitigation measures or alternatives found not feasible, which would reduce one or more significant effects, have become feasible; or (iv) mitigation measures or alternatives, which are considerably different from those in the FSEIR, will substantially reduce one or more significant effects on the environment that would change the conclusions set forth in the FSEIR; and, be it further

RESOLVED, The Commission has reviewed and considered the FSEIR and Addenda, and hereby adopts the CEQA findings set forth in Resolutions No. 182-98 and No. 183-98 and hereby incorporates such findings by reference as though fully set forth in this Resolution; and, be it further

RESOLVED, That the Commission authorizes the Executive Director to: (i) enter into the ENA with Mercy Housing California 78, L.P., a California limited partnership, and the Predevelopment Loan Documents with Mercy Housing California 78, L.P., a California limited partnership, substantially in the form of the documents approved by legal counsel for OCII, ; (ii) to make expenditures consistent with Redevelopment Dissolution Law; and (iii) to enter into any and all ancillary documents or to take any additional actions necessary to consummate the transaction contemplated by this Resolution.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of July 18, 2017.

Interim Commission Secretary