

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 41-2016

AUTHORIZING A GROUND LEASE AGREEMENT AND AN AMENDED AND RESTATED LOAN AGREEMENT, FOR AN AGGREGATE LOAN AMOUNT OF \$35,750,000, WITH 1300 4TH STREET ASSOCIATES, L.P., A CALIFORNIA LIMITED PARTNERSHIP, FOR THE DEVELOPMENT OF A 143 UNIT (INCLUDING ONE MANAGER'S UNIT) LOW-INCOME AFFORDABLE FAMILY RENTAL HOUSING DEVELOPMENT AT MISSION BAY SOUTH, BLOCK 6 EAST (626 MISSION BAY BOULEVARD NORTH), A PROJECT THAT IS WITHIN THE SCOPE OF THE MISSION BAY FINAL SUBSEQUENT ENVIRONMENTAL IMPACT REPORT ("FSEIR"), A PROGRAM EIR, AND IS ADEQUATELY DESCRIBED IN THE FSEIR FOR THE PURPOSES OF 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 ("the "City"); 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 "South Plan." In cooperation with the City, the Agency was responsible for implementing the South Plan; and,

WHEREAS, The South 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 South Plan anticipates and describes a mixed-use development comprised of public open space, retail, commercial, entertainment uses, and parking and loading uses; and,

WHEREAS, To implement the South Plan, the Agency approved, by Resolution No. 193-98 (Sep. 17, 1998), the Mission Bay South Owner Participation Agreement between the Agency and Catellus Development Corporation, a Delaware corporation (the "Master Developer" or "Owner"). The Mission Bay South Owner Participation Agreement, as most recently amended by Resolution No. 30-2014 (adopted April 29, 2014), is referred to as the "South OPA." The South OPA establishes, among other things, contractual rights authorizing the Owner to build a certain amount of development, and requiring the Owner to construct public infrastructure and contribute land for a campus of the University of California at San Francisco and for Agency affordable housing; and obligating the Agency to reimburse Owner for certain infrastructure costs, and to develop affordable housing on the contributed land; and,

- WHEREAS, Under the South OPA, the Owner must transfer, at no cost, approximately 12.3 acres of "building-ready" land that has been remediated, graded, and served by infrastructure, for development of affordable housing, and the Agency is required to build approximately 1,108 Agency affordable housing units on these sites; and,
- WHEREAS, The Agency and Owner selected, throughout the Project Area, affordable housing lots that were contributed to the Agency and that are identified in Exhibit F (Approved Sites) to the Mission Bay South Housing Program (Attachment C to the South OPA), as amended by the First Amendment to the South OPA, February 17, 2004). One of these sites is an approximately 1.45 acre lot identified as Block 8711, Lot 21, Former Block 6 Parcel E ("Block 6 East") in a Memorandum of Option (recorded in 2007), which grants the Agency the option to acquire the site for purposes of fulfilling the South OPA affordable housing obligations; and,
- WHEREAS, On November 1, 2005, the Agency approved, by Resolution No. 178-2005, the Major Phase Application for Blocks 2-7 and 13 (the "Major Phase"), which included Block 6 East in the Project Area. Since its initial approval, the Major Phase has been amended four times: Redevelopment Agency Resolution Nos. 101-2007 (September 18, 2007 and 77-2011 (June 7, 2011); Oversight Board Resolution No. 7-2012 (June 11, 2012); and Commission on Community Investment and Infrastructure Resolution No. 6-2014 (January 21, 2014); and,
- WHEREAS, On February 1, 2012, state law dissolved redevelopment agencies and authorized the creation of successor agencies to undertake, among other things, the enforceable obligations of the former redevelopment agencies. California Health and Safety Code Sections 34170 et seq. (the "Redevelopment Dissolution Law"); and,
- WHEREAS, On October 2, 2012, pursuant to Ordinance No. 215-12, the Board of Supervisors of the City and County of San Francisco, acting as the legislative body of the Successor Agency, delegated the rights and responsibilities under the Redevelopment Dissolution Law to the Successor Agency of the City and County of San Francisco (commonly known as the Office of Community Investment and Infrastructure or "OCII"). These responsibilities include, but are not limited to, the retained existing enforceable obligations for the development of affordable housing required for the Project Area. This delegation also includes the obligation under Redevelopment Dissolution Law to wind down expeditiously the Agency's projects; and,
- WHEREAS, On January 24, 2014, the California Department of Finance ("DOF") finally and conclusively determined that the OPA, the Mission Bay South Tax Increment Allocation Pledge Agreement, and the Mission Bay South Allocation Pledge Agreement Housing are enforceable obligations that survived the dissolution of the Redevelopment Agency and require OCII to complete the development authorized under the South Plan, South OPA, and related South Plan Documents. Letter, J. Howard, DOF Assistant Program Budget Manager, to T. Bohee, Executive Director (Jan. 24, 2014); and,

- WHEREAS, On May 21, 2014, OCII issued a Housing Development Request for Qualifications (the “RFQ”) for the development and management of up to 135 units of low- and moderate-income rental housing located at 1300 4th Street (the “Site”), with twenty percent of the units to be set aside for formerly homeless households. OCII staff made extensive outreach efforts to attract submittals from qualified developers by the July 16, 2014 deadline. The RFQ set forth specific submission requirements to be met in order to be fully reviewed by OCII staff. The RFQ also set forth that OCII would seek to enter into an exclusive negotiations agreement for development rights on the Site; and,
- WHEREAS, OCII staff 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 the development team lead by Tenderloin Neighborhood Development Center, Mithun Solomon + Studio VARA (the “Developer”) had the strongest submittal and was well-suited to develop the project described in the RFP; and,
- WHEREAS, On November 7, 2014, the Citywide Affordable Housing Loan Committee (the “Loan Committee”) recommended that OCII provide the Developer with a predevelopment loan of Redevelopment Property Tax Trust Fund (the “Funds”) in an amount not to exceed \$2,500,000, subject to certain terms and conditions (the “Loan”); and,
- WHEREAS, The Oversight Board of the City and County of San Francisco approved, by Resolution No. 4-2013, the expenditures authorized under this Loan as part of the Recognized Obligation Payment Schedule (“ROPS”) for the July 1, 2014 to December 31, 2014 period. Subsequently, DOF approved the ROPS with this expenditure; 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 review and processing of loan disbursements. Upon completion of the project, OCII intends and is obligated, 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, On December 2, 2014, the OCII Commission, pursuant to Resolution No. 97-2014, authorized entering into a predevelopment loan agreement and promissory note (the “Predevelopment Loan Documents”), to provide funding in an amount not to exceed \$2,500,000 for predevelopment work associated with the construction of the project, and an exclusive negotiations agreement (the “ENA”) which included an initial term until April 30, 2016 (with a potential for two – six month extensions); and a Schedule of Performance. The ENA was intended to lead to a long-term ground lease; and,

- WHEREAS, On August 4, 2015, the OCII Commission, adopted Resolution No. 46-2015, adopting environmental review findings pursuant to the California Environmental Quality Act and conditionally approving a Basic Concept/Schematic Design for a residential building consisting of 143 affordable rental units (including one manager's unit) and associated vehicle and bicycle parking and open space, and approximately 9,700 square feet of retail (the "Project"); and,
- WHEREAS, On May 17, 2016, the OCII Commission, pursuant to Resolution No.21-2016, authorized entering into an Option to Ground Lease Agreement which allowed the Developer to demonstrate site control to the California Debit Limit Allocation Committee ("CDLAC") and the Tax Credit Allocation ("TCAC"); and,
- WHEREAS, The Developer has formed a wholly controlled affiliate, 1300 4th Street Associates, L.P. to develop the Project (the "Partnership") and the Partnership is now requesting to enter into a seventy-five (75) year ground lease (with one twenty-four (24) year option) in connection with the development and operation of the Project (the "Ground Lease Agreement"); and,
- WHEREAS The Ground Lease Agreement will provide for the leasing of the Site for the construction and operation of the Project; and,
- WHEREAS Upon completion of the Project it will be subdivided into the following air-rights (or condominium) and/or land parcels, in accordance with Subdivision map Act requirements (Calif.Gov. Code §§ 66410 *et seq.*): (1) the Housing Parcel will contain the residential apartments and parking; and (2) the Commercial Parcel will contain the retail uses; and,
- WHEREAS When the Project is subdivided the Loan will also be divided per the actual costs for the Housing Parcel and the Commercial Parcel; and,
- WHEREAS On July 29, 2016, the Citywide Affordable Housing Loan Committee reviewed and approved an additional \$33,250,000 financing request, for a total of \$35,750,000 in OCII funding (the "Funds"). The Funds are therefore comprised of the \$2,500,000 in the Predevelopment Loan Agreement, and \$33,250,000 for construction period activities (the "Gap Funding"); and,
- WHEREAS The Partnership is now requesting to enter into an Amended and Restated Loan Agreement ("Loan Agreement") in the amount of \$35,750,000 for the development of the Project; 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 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, The FSEIR is a program EIR under CEQA Guidelines Section 15168 and a redevelopment plan EIR under CEQA Guidelines Section 15180. Authorizing a Ground Lease and a Loan Agreement for the purpose of developing the Project are undertakings pursuant to and in furtherance of the Plan in conformance with CEQA Section 15180 (“Implementing Actions”); and,

WHEREAS, Prior approvals that have proceeded the currently proposed Implementing Actions, (including without limitation the development authorizations in the South OPA), have limited the remaining discretion available to the Commission, the Executive Director, and the City related to the Implementing Actions; and,

WHEREAS, OCII is making the necessary findings for the Implementing Actions 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 Redevelopment Agency Commission by Resolution No. 183-98 dated September 17, 1998, reflected the independent judgment and analysis of the Redevelopment 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 Actions; now, therefore be it,

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, The Commission finds and determines that the Ground Lease and Loan Agreement are Implementing Actions within the scope of the Mission Bay Project analyzed in the FSEIR and require no further environmental review beyond the FSEIR pursuant to the State CEQA Guidelines Section 15180, 15162 and 15163 for the following reasons:

- (1) the Implementation Actions are consistent with the project analyzed in the FSEIR and do 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 to the Mission Bay Project analyzed in the FSEIR has become available, which would indicate that (i) the Mission Bay Project 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, That the Commission has reviewed and considered the FSEIR findings and statement of overriding considerations and hereby adopts the CEQA findings set forth in Predevelopment Commission Resolution No. 183-98, which are incorporated herein, and those further findings set forth above; and, be it further

RESOLVED, The Commission authorizes the Executive Director to: (i) enter into the Ground Lease, with a wholly controlled affiliate of the Developer, 1300 4th Street Associates, L.P., a California limited partnership (the “Partnership”), substantially in the form of the document approved by legal counsel for OCII, for an initial term of seventy-five (75) years, with one twenty-four (24) year option, for the development of the Project; (ii) enter into a Loan Agreement with the Partnership, substantially in the form of the document approved by legal counsel for OCII, for the development of the Project; 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 August 16, 2016.

Commission Secretary