

**COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE**

**RESOLUTION NO. 49-2016**

**AUTHORIZING AN OPTION TO GROUND LEASE AGREEMENT WITH MB3E, L.P., A CALIFORNIA LIMITED PARTNERSHIP AND AN AFFILIATE OF CHINATOWN COMMUNITY DEVELOPMENT CENTER AND SWORDS TO PLOWSHARES FOR THE CONSTRUCTION OF A 119-UNIT (INCLUDING ONE MANAGER’S UNIT) LOW-INCOME AFFORDABLE RENTAL HOUSING DEVELOPMENT FOR FORMERLY HOMELESS VETERANS AND FAMILIES AT MISSION BAY SOUTH BLOCK 3 EAST (1150 3<sup>RD</sup> STREET) THAT IS WITHIN THE SCOPE OF AND IS ADEQUATELY DESCRIBED IN THE MISSION BAY REDEVELOPMENT PROJECT APPROVED UNDER THE MISSION BAY FINAL SUBSEQUENT ENVIRONMENTAL IMPACT REPORT (“FSEIR”), A PROGRAM EIR, 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 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, 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 Owner Participation Agreement (the “South OPA”) between the Former 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 Former Agency will oversee the development of up to one thousand two hundred eighteen (1,218) affordable housing units in the Project Area; and,

WHEREAS, Pursuant to state law, California Health and Safety Code Sections 34170 et seq. (the “Redevelopment Dissolution Law”) the Former Agency was dissolved as of February 1, 2012; 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 it state authority under the Redevelopment Dissolution Law); and,

WHEREAS, On January 24, 2014, the California Department of Finance (“DOF”) finally and conclusively determined that the South OPA, the Mission Bay South Tax Increment Allocation Pledge Agreement, and the Mission Bay South affordable housing program are enforceable obligations that survived the dissolution of the Former Agency and require OCII to complete the development authorized under the South Plan, South OPA, and related South Plan documents; and,

WHEREAS, On April 24, 2015, OCII issued a Housing Development Request for Proposals (the “RFP”) for the development and management of up to 101 units of low-income rental housing located at Mission Bay South Block 3 East, 1150 Third Street (the “Site”), with half of the units to be set aside for formerly homeless veteran households (the “Project”). Following a review of three developer team proposals by an interdisciplinary evaluation panel OCII staff informed the Commission that the team lead by Chinatown Community Development Center, Swords to Plowshares, and Leddy Maytum Stacy Architects (the “Developer”) was most responsive to the RFP criteria and was well-suited to develop the Project. On February 16, 2016 with Resolution No. 9-2016, the OCII Commission authorized the Executive Director to enter into a \$2,500,000 predevelopment loan agreement and promissory note (the “Predevelopment Loan Documents”) and an exclusive negotiations agreement (the “ENA”). The ENA will lead to a long-term ground lease; and,

WHEREAS, In order to improve the cost efficiency of the Project, the Developer requested and OCII staff approved the addition of up to 18 more affordable units. The Developer determined that the best mix of added units would be 12 studio units serving formerly homeless veterans, and 5 one-bedroom units and an extra two-bedroom unit serving low-income families. The additional units will be accommodated under the approved Major Phase for Blocks 2-7 and 13 (which calls for 805 affordable units, and an overall total of 1,907 residential units) by commensurate reduction in the total number of affordable residential units to be approved by OCII elsewhere within the Major Phase; and,

WHEREAS, The California Debt Limit Allocation Committee (“CDLAC”) has determined that affordable projects in the Project Area must present evidence of an executed Option to Ground Lease with OCII to demonstrate site control to CDLAC and the California Tax Credit Allocation Committee (“TCAC”); and,

WHEREAS, The Developer and OCII now desire to enter into an Option to Ground Lease Agreement for the purpose of demonstrating site control to CDLAC and TCAC; and,

WHEREAS, OCII’s remaining discretionary approvals for the Block 3E 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; 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, The FSEIR is a program EIR under CEQA Guidelines Section 15168 and a redevelopment plan EIR under CEQA Guidelines Section 15180. Authorizing an Option to Ground Lease agreement for the purpose of developing the Block 3 East Affordable Housing 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 Option to Ground Lease document facilitates the development of the Project, 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 Block 3 East has become available, which would indicate that (i) the 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, 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 OCII Commission authorizes the Executive Director to: (i) enter into the Option to Ground Lease Document, substantially in the form of the document approved by legal counsel for OCII, with a wholly controlled affiliate of the Developer, MB3E, L.P., a California limited partnership; and (ii) 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 October 18, 2016.

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Commission Secretary