TO: Commission on Community Investment and Infrastructure

FROM: Nadia Sesay, Executive Director

SUBJECT: Approving the Report to the Board of Supervisors on the Amendment to the Redevelopment Plan for the Mission Bay South Redevelopment Project In Connection With an Increase in Hotel Rooms on the Mission Bay South Block 1 Hotel Parcel, and Authorizing Transmittal of the Report to the Board of Supervisors, 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 is Adequately Described in the FSEIR for the Purposes of the California Environmental Quality Act; and Adopting Environmental Findings Pursuant to the California Environmental Quality Act

Approving an Amendment to the Redevelopment Plan for the Mission Bay South Redevelopment Project in Connection With an Increase in Hotel Rooms on the Mission Bay South Block 1 Hotel Parcel; Recommending Adoption of the Redevelopment Plan Amendment by the Board of Supervisors and Submitting the Recommendation, Including the Redevelopment Plan Amendment, to the Board of Supervisors, 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 is Adequately Described in the FSEIR for the Purposes of the California Environmental Quality Act; and Adopting Environmental Findings Pursuant to the California Environmental Quality Act

Conditionally Authorizing an Eighth Amendment to the Mission Bay South Owner Participation Agreement with FOCIL-MB, LLC, a Delaware Limited Liability Company, 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 is Adequately Described in the FSEIR for the Purposes of the California Environmental Quality Act; and Adopting Environmental Findings Pursuant to the California Environmental Quality Act

EXECUTIVE SUMMARY

SOMA Hotel LLC (“SOMA Hotel”), owns the hotel portion of Block 1, or Lot 8 Block 8715 (“Block 1 Hotel Parcel”) in the Mission Bay South Project Area (“Plan Area”). SOMA Hotel requests Commission on Community Investment and Infrastructure (“Commission”) approvals of amendments to the Redevelopment Plan for the Mission Bay South Redevelopment Project Area (“Redevelopment Plan”) and the Mission Bay South Owner Participation Agreement (“South OPA”), together, the “Plan Documents.” The amendments to the Plan Documents would allow for an increase in the number of hotel rooms on the Block 1 Hotel Parcel from 250 to 300, through a conversion of already designed and under-construction suites to individual hotel rooms (“SOMA Hotel Project”). In addition to amendments to the Plan Documents, approval of the SOMA Hotel Project would require the Commission’s consideration of amendments to the Mission Bay South Block 1 Major Phase Application, approved by Commission in 2013 and to the Basic/Concept Schematic Design for the SOMA Mission Bay Hotel, approved by the Commission in 2014, however Commission will review these design document related actions at a later date as explained further in this memorandum.

The Block 1 Hotel Parcel is bounded by Channel Street to the south, Third Street to the east and Mission Bay Park P3 to the north. The remainder of Mission Bay Block 1, a 350-unit residential project with ground floor retail known as One Mission Bay, sits to the west. Attachments 1 and 2 of this memorandum show the Plan Area, including the Block 1 Hotel Parcel, and neighborhood retail and community facilities.

Staff recommends the Commission’s:

1) approval of a Report to the Board on the Plan Amendment and Authorization for Transmittal to the Board of Supervisors,

2) approval of the Plan Amendment, and;

3) authorization of an Eighth Amendment to the South OPA with FOCIL-MB LLC (“FOCIL”)

BACKGROUND

The Plan Area is a 238-acre development governed by the Plan Documents. The South OPA was executed between the San Francisco Redevelopment Agency (“Former Redevelopment Agency”) and the original landowner and master developer, Catellus Development Corporation (later transferred to FOCIL). The Plan Documents create the land use designations and the regulatory framework for development in the Plan Area. Pursuant to the South OPA, master developer FOCIL has sold vertical parcels to individual developers, who have then designed and constructed buildings according to the permitted land uses and development controls specified in the Plan Documents.

Mission Bay South Block 1 (“MBS Block 1”) is a 2.73-acre parcel located in the Plan Area. The original 1998 Redevelopment Plan designated a 500-room hotel and 50,000 square feet of retail space to MBS Block 1. The results of a 2013 economic feasibility assessment conducted by the MBS Block 1 owner
indicated that a 500-room hotel room would not be profitable. As a result, the MBS Block 1 owner requested that the Office of Community Investment and Infrastructure, as the Successor Agency to the Former Redevelopment Agency, amend the Redevelopment Plan to permit 350 dwelling units, 25,000 square feet of retail and a 250-room hotel room on the site. The Commission approved, by Resolution No. 15-2013 (May 21, 2013) an amendment to the Redevelopment Plan and subsequently the Board of Supervisors of the City and County of San Francisco finally approved, by Ordinance No. 143-12 (July 7, 2013), the amendment. Upon approval, the Block 1 Owner subdivided the 2.73-acre parcel to create a separate hotel parcel and transferred the hotel parcel and its development rights to SOMA Hotel LLC through an Assignment, Assumption and Release agreement dated December 20, 2013.

On November 18, 2014 the Commission approved a Schematic Design for the project (Reso No. 93-2014), which consisted of a 250-room hotel comprised of 213 standard hotel rooms and 37 suites, 10,000 square feet of meeting space, rooftop community space open to the public during normal business hours without any commercial obligation to the hotel project, and 4,000 square feet of retail space in an L-shaped 160 foot tower at the corner of Channel and Third Street. The general public will have access to the rooftop community space during normal business hours via a dedicated express elevator accessed at the street level, without being obligated to make a purchase from the rooftop bar or other retail uses located within the project. SOMA Hotel started construction on the project in 2018.

In February 2020, SOMA Hotel submitted a revised schematic design package and requested Plan Document amendments in order to convert suites into individual hotel rooms which would increase the total number of rooms within the hotel. SOMA Hotel is requesting this change due to changed market conditions for hotels and thus a decreased demand for suites.

The proposed conversion of suites would change the current development program of 213 hotel rooms and 37 hotel suites to 290 hotel rooms and 9 hotel suites, for a total of 299 rooms. Staff propose that this be rounded to 300 rooms in the proposed amendments to the Plan Documents. The currently designed 37 suites are one- and two-bedroom suites, with one bed per bedroom and a pull-out bed in the living room. Under the conversion proposal, each bedroom and living room will be converted to its own hotel room, utilizing already designed bathrooms adjacent to each room. Staff have reviewed the revised schematic design and the proposed suite conversion does not necessitate any changes to the massing of the building, require any additional built area, nor represent any changes to its exterior design.

**DISCUSSION**

Amended Documents Related to the SOMA Hotel Project

The SOMA Hotel Project requires amendments to Plan Documents which will permit the increase in hotel rooms. It also requires amendments to the Mission Bay South Block 1 Major Phase Application (“Block 1 Major Phase”) as well as to the Basic Concept/Schematic Design for the SOMA Mission Bay Hotel (“Block 1 Hotel BC/SD”); however, these amendments will be heard at a later date, pending resolution of an issue related to the design of the hotel loading areas. The amended documents to be considered by Commission on July 21st and in the future are described in the table below:
Proposed Redevelopment Plan Amendment Related to the SOMA Hotel Project

Attachment 4 to this memorandum highlights these proposed changes to the Redevelopment Plan that would increase the number of hotel rooms allowed on the Block 1 Hotel Parcel.

Redevelopment plans may be amended, per the process outlined under Community Redevelopment Law ("CRL"), stated in Sections 33450-33458 of the California Health and Safety Code. According to the CRL, as amended by Redevelopment Dissolution Law and implemented by Ordinance No 215-12 (Oct. 4, 2012), OCII may approve redevelopment plan amendments at a publicly noticed hearing and then forward the plan amendments to the Planning Commission and to the Board of Supervisors for final approval. CRL (Cal. Health & Safety Code § 33457.1) further requires preparation of a report on the plan amendment, "to the extent warranted," to provide relevant background information in support of the need, purpose, and impacts of the plan amendment; this report is transmitted to the Board of Supervisors. Attachment 3 provides the report for the SOMA Hotel Project.

Proposed South OPA Amendment Related to the SOMA Hotel Project

An Eighth Amendment to the South OPA is required to increase the number of hotel rooms on the Block 1 Hotel Parcel. The Master Developer of Mission Bay South, FOCIL, is the other party to the OPA and has consented to the Eighth Amendment.

With regard to the South OPA, Redevelopment Dissolution Law authorizes Oversight Boards to approve amendments to enforceable obligations if it finds that an amendment would be in the best interest of the taxing entities. (Cal. Health & Safety Code Section 34181(e)). Therefore, the approval of the Eighth Amendment to the South OPA is conditioned upon the Oversight Board approval of the amendment and its determination of the benefit to the taxing entities, and then is further conditioned on the State of California Department of Finance’s subsequent review and approval of the Oversight Board’s action.

Amendments to Block 1 Major Phase and Block 1 Hotel SD

In conjunction with the Plan Document amendments, the Block 1 Major Phase and Block 1 Hotel BC/SD will be amended to increase the number of hotel rooms permitted on the site from 250 to 300. However, some additional changes to the Block 1 Hotel BC/SD are required that are still underway, which will

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<td>Eighth Amendment to the South OPA</td>
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<td>Mission Bay South Block 1 Major Phase and BC/SD Amendments</td>
<td>Increases the number of hotel rooms permitted on Mission Bay South Block 1 from 250 to 300</td>
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require Commission approval at a future date. Specifically, the Block 1 Hotel BC/SD will be amended to add the dimensions of two off-street freight loading spaces. These spaces were constructed with a shorter height and length dimension than is specified in the Loading section of the Design for Development for the Mission Bay Project Area, and staff have determined that a loading management plan is necessary to ensure that the hotel, once operational, will be able to accommodate loading vehicles and will prevent idling at restricted curb space. The loading plan is currently being drafted, therefore staff recommends bringing the Amendments to the Block 1 Major Phase and BC/SD once the loading plan is completed and ready to be recorded against the property.

Public Benefits

Because the SOMA Hotel proposed amendments do not increase the gross square footage of the project currently under construction, this proposed amendment to the project is not subject to citywide development impact fees. When the original project was approved in 2013, the sponsor paid development impact fees outlined in the City and County of San Francisco Planning Code Article 4 and the San Francisco Citywide Development Impact Fee Register, including what was then known as the Transportation Impact Development Fee (now the Transportation Sustainability Fee). To meet the requirements of the Mission Bay Artwork Fee, SOMA Hotel has opted to provide public art onsite. It has also designated a rooftop community space to be open to the public and thus utilized as a public benefit.

Proposed Amendments and Findings for Recommendation of Plan Document Amendments

Redevelopment Plan Amendment Findings:

By allowing for additional hotel rooms on the Block 1 Hotel Parcel, the proposed Redevelopment Plan amendment will support the full economic use of the block and will accelerate the completion of development under the Mission Bay South Redevelopment Plan, the South OPA and the related enforceable obligations. In addition, the amendment allows SOMA Hotel to respond to changes in market conditions that have occurred since the Redevelopment Plan was adopted in 1998 and amended in 2013.

OCII staff recommends this amendment as it will further advance the following Redevelopment Project Objectives as set forth in Section 103 of the Redevelopment Plan:

- **Section 103 E. Providing flexibility in the development of the Plan Area to respond readily and appropriately to market conditions.** Since the time of the Block 1 Hotel BC/SD approval in 2014, SOMA Hotel has identified changes within the hotel market in San Francisco which have necessitated the change from suites to individual rooms at the SOMA Mission Bay hotel.

- **Section 103 H. Strengthening the economic base of the Plan Area and the community by strengthening retail and other commercial functions in the Plan Area...** Facilitating an economically viable hotel on Block 1 strengthens the economic base of the Plan Area. A viable hotel will bring guests to Mission Bay who will then support local businesses and retail uses. The increase in hotel rooms or “keys” also increases the assessed value of the Block 1 parcel and resultant tax increment.
OPA Amendment Findings:

Staff recommends an eighth amendment to the South OPA in coordination with the Redevelopment Plan amendment. The increase in hotel rooms or “keys” is expected to increase the value of the hotel and thus generate more revenues from property taxes payable to the taxing entities in comparison to existing conditions. These taxing entities include the City and County of San Francisco, the Bay Area Rapid Transit District, the San Francisco Community College District, the San Francisco Unified School District and the San Francisco County Office of Education. The Plan Area document amendments do not propose any new capital expenditures by the Successor Agency or any change in the Successor Agency’s overall method of financing the redevelopment of Mission Bay South.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

The proposed project is undertaken in furtherance of the Mission Bay Redevelopment Project, as defined in the Redevelopment Plan for the Mission Bay South Project Area. The Mission Bay Final Supplemental Environmental Impact Report (“Mission Bay FSEIR”) was certified by the former San Francisco Redevelopment Agency Commission and the San Francisco Planning Commission, and affirmed by the Board of Supervisors in 1998. The Mission Bay FSEIR is a program EIR pursuant to California Environmental Quality Act (“CEQA”) Guidelines Section 15168 and a redevelopment plan EIR pursuant to CEQA Guidelines Section 15180. The Mission Bay Project was comprised of the Mission Bay North and Mission Bay South Redevelopment Plans for the 303-acre area.

In connection with the request to permit the conversion of hotel suites into 50 additional hotel rooms within the hotel structure under construction on Block 1 (the “Project”), OCII staff has determined that the proposed Plan Amendment is within the scope of the program (i.e., the Mission Bay Project) approved earlier and analyzed in the Mission Bay FSEIR, and the program described in the Mission Bay FSEIR adequately describes this Project for the purposes of CEQA.

The Project is within the scope of density and consistent with the designated uses for Block 1 as described and analyzed in the FSEIR and would represent a minor change in hotel occupancy. OCII has reviewed the proposal and determined that the Project would not result in any new or substantially more severe impacts than were identified in the FSEIR.

Since the Mission Bay FSEIR was finalized, there have been no substantial project changes and no substantial changes in project circumstances that would require revisions to the FSEIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the FSEIR. Therefore, no further CEQA evaluation is necessary.

Based on the foregoing, OCII concludes that the analyses conducted and the conclusions reached in the Mission Bay FSEIR remain valid and that no supplemental environmental review is required. The proposed Project was analyzed in the Mission Bay FSEIR and would neither cause new significant impacts nor result in the substantial increase in the severity of previously identified significant impacts, and no new mitigation measures would be necessary to reduce significant impacts.
EQUAL OPPORTUNITY PROGRAM AND COMPLIANCE WITH OCII POLICIES

SOMA Hotel complies with the South OPA Program in Diversity/Economic Development Program, which includes OCII’s Small Business Enterprise (SBE) Program, and has been working closely with contract compliance staff in good faith to comply with OCII programs.

SOMA Hotel has selected a diverse team of professional service consultants initially achieving 52% SBE (28.5% MBE and 18.5% WBE) participation on this development. During the construction phase, the project continues to make good faith efforts and is currently achieving nearly 14% S/M/WBE participation. While the overall percentage may not be met, the developer has made good faith efforts to meet the goal and is committed to continue making good faith efforts on the tenant improvements.

In addition, because the SOMA Hotel is commercial in nature, local permanent hiring will be subject to the City’s First Source Hiring Program pursuant to the South OPA, which will ensure that San Francisco residents are given first consideration for the hotel’s permanent entry-level employment, with a 50% goal of the entry-level positions being filled by San Francisco residents. Contract compliance staff has met with OEWD and SOMA Hotel well in advance for hospitality training in hopes of achieving successful hiring outcomes under the First Source Hiring Program.

COMMUNITY OUTREACH: MISSION BAY CITIZENS ADVISORY COMMITTEE

SOMA Hotel presented to the Mission Bay Citizens Advisory Committee meeting “MBCAC” on January 9th and received a majority vote to recommend the proposed Plan Document amendments to Commission.

Below is a summary of the MBCAC votes for the SOMA Hotel Project items:

1. Redevelopment Plan, OPA, Basic Concept / Schematic Design Amendments: 10 votes in favor, 1 abstained

STAFF RECOMMENDATION

OCII staff recommends the Commission approve the proposed amendments to the Redevelopment Plan and the South OPA. Staff will be returning to Commission with the proposed amendments to the Mission Bay South Block 1 Major Phase Application and the Basic Concept/Schematic Design for the SOMA Mission Bay Hotel at a future date.

Upon Commission approval of each action and consistent with Community Redevelopment Law, the SOMA Hotel Project sponsor will proceed to seek necessary approval actions from the Planning Commission and the Board of Supervisors for the Plan Amendment, as well as the Oversight Board and the California Department of Finance for the OPA Amendment.

If the amendments to the Plan Documents are approved, including the Mission Bay South Block 1 Major Phase Application and the Basic Concept/Schematic Design at a later date, SOMA Hotel plans to make final changes to the suite and room configuration towards the end of its construction process, in Q1 2021.
Attachments:

Attachment 1: Mission Bay Land Use Map
Attachment 2: Mission Bay Amenities Map
Attachment 3: Report to Board on the Plan Amendment
Attachment 4: Amendment to the Redevelopment Plan for the Mission Bay South Redevelopment Project
Attachment 5: Eighth Amendment to the Mission Bay South Owner Participation Agreement