

RESOLUTION NO. 59-2003

Adopted April 22, 2003

AUTHORIZING A SECOND AMENDMENT WITH MERCY HOUSING CALIFORNIA, A CALIFORNIA NONPROFIT, PUBLIC BENEFIT CORPORATION TO EXTEND THE TERM FOR FIVE MONTHS TO DECEMBER 31, 2003, FOR NEGOTIATING A LEASE AND DEVELOPMENT AGREEMENT FOR THE DEVELOPMENT OF MISSION CREEK SENIOR HOUSING, 201 BERRY STREET (PARCEL 1, BLOCK N3a); MISSION BAY NORTH REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. At its meeting on January 16, 2001, the Agency Commission authorized the Agency Executive Director to enter Exclusive Negotiations with Mercy Housing California, a California nonprofit, public benefit corporation ("Mercy") and further authorized execution of an Exclusive Negotiations Agreement (the "Agreement") with Mercy to clarify the obligations Mercy must fulfill to remain in Exclusive Negotiations leading to the execution of a Ground Lease Agreement. During the Exclusive Negotiation Period, the selected Developer must meet a series of milestones leading to the execution of a Ground Lease Agreement for consideration by the Commission after a public hearing, as required by law.
2. By Resolution No. 132-2002 dated July 9, 2002 the Commission authorized a 12-month extension of the ENA from July 15, 2002 to July 16, 2003 to enable it to secure tax exempt bond financing from the State. The extension was needed due to the unanticipated complexity of the design and financing of the various uses at the Site, infrastructure issues related to water lines, easements, and soil conditions, negotiating the purchase and sale of the library portion of the Site with the city and County of San Francisco, and the changing needs of non-profit office space in the City which adversely affected the available funding for this component of the project.
3. Mercy had made significant progress in developing the Project design and financing plan and was progressing towards a December 2002 construction start date. Mercy staff had identified nonprofits interested in leasing the office space and requested and received letters of intent for 100% of that space. Unfortunately the potential tenants decided not to pursue leasing the proposed office space in favor of taking advantage of the softening real estate market and purchasing their own property. Mercy then began to re-market the office space to the social service community; however, given the restrictions of the use (a resident-serving use), per the OPA, and the continuing decline of the office market, its efforts were unsuccessful.

4. In November 2002, it became clear to the Agency that the costs to the public of completing the office space far outweighed the community benefits from having additional office space in Mission Bay. Therefore, given the current glut of available inexpensive office space on the market it was determined that it was unwise to move forward with the development of nonprofit office space.
5. In December 2002, the team architectural firm of Hardison Komatsu Ivelich and Tucker ("HKIT") and Adele Naude Santos & Associates was instructed to redesign the project by deleting the nonprofit office component while preserving the overall massing concept of the previous design. This reconfiguration of the building uses has required a redesign effort beyond just the simple elimination of the nonprofit office space.
6. Mercy is now requesting a second amendment to the ENA to extend the schedule of performance expiration date from July 16, 2003 to December 31, 2003, which is the anticipated construction start date.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director or her designee is authorized to enter into a Second Amendment to the Exclusive Negotiations Agreement with Mercy Housing California, a California nonprofit, public benefit corporation to extend the term for five months from July 16, 2003 to December 31, 2003 for negotiating a lease and development agreement for 201 Berry Street (Parcel 1, Block N3a), Mission Bay North for the development of 140 units of affordable senior rental housing, a branch library, retail/commercial space, and Adult Day Health Center substantially in the form lodged with Agency General Counsel.

APPROVED AS TO FORM:



Bertha A. Ontiveros
Agency General Counsel