

RESOLUTION NO. 119-2006

Adopted September 19, 2006

AUTHORIZING A FIRST AMENDMENT TO THE OWNER PARTICIPATION AGREEMENT AND A REGULATORY AGREEMENT WITH KAISER FOUNDATION HOSPITALS, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION, TO AMEND THE SCHEDULE OF PERFORMANCE AND AMEND OTHER PROVISIONS GOVERNING THE DEVELOPMENT OF A 21-UNIT AFFORDABLE RENTAL HOUSING PROJECT LOCATED AT 2139 O'FARRELL STREET, ASSESSOR'S BLOCK 1101, LOT 022; WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2

BASIS FOR RESOLUTION

1. On February 24, 1998 by Resolution No. 1998-034, the Redevelopment Agency of the City and County of San Francisco's (the "Agency") Commission authorized staff to enter into an Owner Participation Agreement with Kaiser Foundation Hospitals ("Kaiser") for the development of a 21-unit affordable rental housing project at 2139 O'Farrell Street (the "OPA"), located between Divisadero and Broderick Streets in the Western Addition Redevelopment Project Area A-2 (the "Project Area").
2. Under the OPA, Kaiser is required to build these 21 affordable housing units (the "Replacement Housing Units") to replace the ones that will be lost to demolition when the hospital tears down a Kaiser-owned building located at 1401-1417 Divisadero Street (the "Pink Building") to make way for the hospital's expansion plans.
3. Kaiser is in the middle of a two-phase expansion plan for its Geary Campus, which began in the late 1990s and runs along both sides of Geary Boulevard between Lyon and Divisadero Streets. This expansion plan includes the demolition, construction and redevelopment of most of the hospital's outpatient facilities, and other demolition and construction of new medical office buildings. The first phase has been completed, except for the construction of the Replacement Housing Units. Once the Replacement Housing Units are complete, Kaiser will begin the second phase of its expansion plan.
4. Due to the hospital's budgetary constraints over the last several years, Kaiser has been unable to precede with its expansion plans. Kaiser is now ready to proceed, and seeks the proposed first amendment to the OPA (the "First Amendment") and a regulatory agreement ("Regulatory Agreement") to amend the schedule of performance and other provisions governing the development of the Replacement Housing Units and subsequent demolition of the Pink Building. The site on which the Replacement Housing Units will be built is currently improved with a

three-story medical office building that Kaiser also owns. This medical office building will also be torn down to make way for the Replacement Housing Units and associated parking.

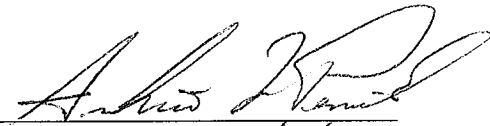
5. Toward this end, Kaiser entered into a development agreement with Tabernacle Community Development Corporation, a California nonprofit public benefit corporation, which is an inter-denominational collaboration of San Francisco clergy dedicated to economic and community development ("Tabernacle"). Under this development agreement: (1) Kaiser will contribute the land and \$5 million toward the total development costs for the Replacement Housing Units and (2) Tabernacle will build the Replacement Housing Units and cover certain development costs over \$5 million. The total development costs are expected to total approximately \$5 million. Kaiser is solely responsible for building the Replacement Housing Units. The Agency will not be responsible for any development costs.
6. The proposed First Amendment will acknowledge this development agreement between Kaiser and Tabernacle, allow for the execution of related documents (including the Regulatory Agreement), and amend other provisions associated with the Replacement Housing Units. The key components of the proposed First Amendment include: (1) the Regulatory Agreement that would allow the Agency to monitor affordability levels and tenant income qualifications for the 21 Replacement Housing Units in perpetuity, (2) a revised schedule of performance for the new construction period, and (3) a revised form of Certificate of Completion ("COC") that will require the Replacement Housing Units to be 100% leased before the Agency issues Kaiser a COC and Kaiser is allowed to transfer ownership of the Replacement Housing Units to Tabernacle, which will then operate and maintain them in accordance with the Regulatory Agreement. This 100% leased provision ensures that Kaiser retains responsibility for building the Replacement Housing Units and making sure that the units are fully leased by qualified low-income tenants.
7. Under the revised schedule of performance, the key milestones for project completion will be tied to the execution date of the First Amendment to the OPA and not the execution date of the OPA, as in the original schedule of performance. Kaiser is expected to start construction of the Replacement Housing Units in May 2007 and complete construction in June 2008.
8. Regarding compliance with the California Environmental Quality Act ("CEQA"), staff has determined that the proposed project is categorically exempt pursuant to CEQA Guidelines Sections 15301(1)(3) and 15332 because it is an infill development that involves the demolition of a small commercial structure. The existing building at 2139 O'Farrell Street that is proposed to be demolished is a small commercial structure accommodating 29 employees. The development of the Replacement Housing Units will be at a location that is surrounded by urban uses

with no habitat value and already served by all necessary utilities and public services.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to execute a First Amendment to the Owner Participation Agreement and a Regulatory Agreement with Kaiser Foundation Hospitals, a California nonprofit public benefit corporation, to amend the schedule of performance and amend other provisions governing the development of a 21-unit affordable rental housing project located at 2139 O'Farrell Street, Assessor's Block 1101, Lot 022 in the Western Addition Redevelopment Project Area A-2, substantially in the form lodged with the Agency General Counsel.

APPROVED AS TO FORM:


James B. Morales 9/18/06
Agency General Counsel