RESOLUTION NO. 98-2008

Adopted September 2, 2008

AUTHORIZING A FIRST AMENDMENT TO THE OWNER PARTICIPATION AGREEMENT, CURRENTLY ASSIGNED TO 72 TOWNSEND LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, TO EXTEND THE SCHEDULE OF PERFORMANCE AND MODIFY OTHER TERMS FOR THE DEVELOPMENT OF A 74-UNIT RESIDENTIAL PROJECT AT 64-72 TOWNSEND STREET AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; RINCON POINT - SOUTH BEACH REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. The 64-72 Townsend Street property ("Site"), located at the corner of Townsend and Colin P. Kelly Streets, is the last remaining development site in the Rincon Point - South Beach Redevelopment Project Area ("Project Area"). The property is currently improved with a single-story, reinforced commercial building known as the Hooper's South End Grain Warehouse, which is considered a "contributory" building to the City of San Francisco's South End Historic District and is considered an historical resource pursuant to the California Environmental Quality Act (Cal. Pub. Res. Code Section 21000 et seq., "CEQA") and the State CEQA Guidelines (Cal. Admin. Code Title 14, Section 15000 et seq., "CEQA Guidelines").

2. The Rincon Point - South Beach Redevelopment Plan ("Plan") designates the Site as commercial, with residential use as an alternate use. On April 18, 2000, by Resolution No. 53-2000, the Redevelopment Agency of the City and County of San Francisco (the "Agency") authorized an owner participation agreement with Northshore Resources IV Limited Partnership, a California limited partnership ("Northshore"), to rehabilitate the existing warehouse on the Site for approximately 29,000 square feet of office, commercial, and retail uses. Northshore completed its rehabilitation of the warehouse in December 2002; however, Northshore has been unable to lease the warehouse since construction was completed, and it has remained vacant. Northshore ultimately entered into a purchase agreement ("Purchase and Sale Agreement") with Lambert for the property.

3. Lambert Development LLC, a Delaware limited liability company ("Lambert"), purchased the Site from Northshore. Lambert entered into an Owner Participation Agreement with the Agency ("OPA"), dated July 18, 2006, to build a project that includes an adaptive reuse of the existing single-story warehouse and seven stories of new residential construction, creating a nine-story building. The proposed
development program includes 74 for-sale residential units, including seven affordable housing units, 74 above-grade residential parking spaces on two levels, approximately 10,294 square feet of open space for the residential units, and approximately 5,000 square feet of small-scale, neighborhood-serving retail (collectively, the “Project”). In addition, Northshore, the property’s original owner, has an option to purchase the 5,000 square feet of retail space in the Project. Under the OPA, construction was expected to begin mid- to late-2008.

4. Paul Thompson, the owner of 72 Townsend LLC, a California limited liability company ("Owner"), entered into an Assignment and Assumption of Purchase and Sale Agreement with Lambert dated March 7, 2007, which includes the assignment of all Lambert’s obligations with respect to the Purchase and Sale Agreement.

5. The OPA was assigned to Owner on August 16, 2007 (“Assignment”). The Assignment transferred all rights, interests, obligations, duties, and responsibilities under the OPA to the Owner. For the purpose of the First Amendment to the OPA, 72 Townsend LLC is herein called the Owner of the Site. Northshore continues to have an option to purchase the Project’s retail space.

6. The Owner has agreed to either pay the Agency an in-lieu fee or increase the on-site affordable housing requirement, in accordance with the Mayor’s Office of Housing’s housing policy and the Agency’s revised Affordable Housing Participation Policy. This on-site or in-lieu fee requirement is in addition to the 10% inclusionary housing requirement already required by the OPA (i.e., seven below-market-rate units will still be built on-site).

7. Until earlier this year, the Owner was moving forward to obtain entitlements and execute the necessary documents to construct the Project. However, due to the recent nationwide turmoil in the residential financial markets, the Owner recently notified the Agency that it is unable to obtain construction financing for the Project at this time, and is requesting the proposed First Amendment to the OPA.

8. Under the proposed First Amendment to the OPA, the Owner requests that the Agency: (i) allow approximately 30,600 square feet of mezzanine and ground-floor space in the existing building to be used for temporary office uses; (ii) extend the construction start date for the Project for a period not to exceed 66 months (or 5.5 years) following the date the First Amendment to the OPA is approved by the Agency Commission; and (iii) honor all design and development approvals to date, in accordance with the existing approved design for the proposed Project.
9. On July 18, 2006, the Agency Commission adopted Resolution No. 95-2006 certifying that the Final Environmental Impact Report ("Final EIR"), finding that the Final EIR was prepared pursuant to CEQA and the State CEQA Guidelines (14 California Code of Regulations Sections 15000 et seq.). In adopting Resolution No. 95-2006, the Agency Commission also adopted other environmental findings, a mitigation monitoring and reporting program, and a statement of overriding considerations.

10. Agency staff, in making the necessary findings attached herein, considered and reviewed the Final EIR and has made documents related to the Final EIR files available for review by the Agency Commission and the public, and these files are part of the record before the Agency Commission.

11. The Final EIR adopted by the Agency Commission by Resolution No. 95-2006 dated July 18, 2006, is and remains adequate, accurate and objective for the proposed First Amendment to the OPA. The environmental findings, mitigation monitoring and reporting program, and statement of overriding considerations also adopted by the Agency Commission by Resolution No. 95-2006 remain valid and applicable to the proposed First Amendment to the OPA and are incorporated herein by reference.

FINDINGS

The Agency finds and determines that the First Amendment to the OPA to extend the Schedule of Performance to allow temporary office use is exempt from additional environmental review requirements pursuant to State CEQA Guidelines Sections 15162 and 15163 for the following reasons:

1. The proposed First Amendment to the OPA does not incorporate substantial changes into the Project analyzed in the Final EIR and will not require major revisions to the Final EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.

2. No substantial changes have occurred with respect to the circumstances under which the Project analyzed in the Final EIR was undertaken that would require major revisions to the Final EIR due to the involvement of new significant environmental effects, or substantial increase in the severity of effects identified in the Final EIR.

3. No new information of substantial importance to the Project analyzed in the Final EIR has become available which would indicate that (a) the proposed First Amendment to the OPA will have significant effects not discussed in the Final EIR; (b) significant environmental effects will be substantially more severe; (c)
mitigation measures or alternatives found not feasible which would reduce one or more significant effects have become feasible; or (d) mitigation measures or alternatives which are considerably different from those in the Final EIR will substantially reduce one or more significant effects on the environment.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco: (1) that it has reviewed and considered the Final EIR, environmental findings, mitigation monitoring and reporting program, and statement of overriding considerations, and hereby adopts the CEQA findings set forth in Resolution No. 95-2006 incorporated herein and those set forth above; and (2) that the First Amendment to the Owner Participation Agreement, currently assigned to 72 Townsend LLC, a California limited liability company, to extend the Schedule of Performance and modify other terms for the development of a 74-unit residential project at 64-72 Townsend Street is hereby approved.

APPROVED AS TO FORM:

[Signature]

James B. Morales  3/27/20
Agency General Counsel