MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Authorizing an Exclusive Negotiations Agreement, and a Predevelopment Loan Agreement in an Amount Not to Exceed $2,500,000, with 1300 4th Street Associates, L.P., a California limited partnership, for the development of 135 affordable family rental housing units at 1300 4th Street, also known as Mission Bay South Block 6 East, and adopting environmental findings pursuant to the California Environmental Quality Act; Mission Bay South Redevelopment Project Area

EXECUTIVE SUMMARY

The Mission Bay South Owner Participation Agreement (“OPA”) provides for the development of up to 3,440 housing units, of which approximately 1,150 will be affordable units. All of these affordable units in Mission Bay South will be developed on Agency Affordable Housing Parcels contributed by the Master Developer (“FOCIL”) according to the OPA. The OPA defines “Qualified Housing Developers” as non-profit organizations. To date, 350 of those affordable units are either in construction or slated to begin construction in early 2015, leaving approximately 800 affordable units remaining.

However, in Mission Bay North and South combined, there are 822 completed affordable housing units to date (including inclusionary below market rate units), out of a total of 4,067 completed housing units; 20% of the total units to date are affordable. Overall, Mission Bay North and South OPAs require about 28% of the total housing to be affordable; however, due to additional affordable units being built by the Master Developer in Mission Bay North, the overall percentage of affordable units at build-out will be approximately 30%. Mission Bay North was only required to have 20% of the units be affordable, with Mission Bay South providing a higher percentage (about 36%) to achieve the overall 28% requirement because Mission Bay South has a bigger tax base. The next affordable housing development of 200 rental units at Mission Bay South Block 7W will begin construction by summer of 2015. The remaining Mission Bay South affordable housing will be developed on land contributed by the Master Developer to OCII and funded with tax increment generated from private development within Mission Bay.

On May 20, 2014, the Commission on Community Investment and Infrastructure (“Commission”) received and reviewed an Informational Memorandum regarding a Request for Proposals (“RFP”) for a 135-unit affordable rental housing project at 1300 4th Street, (Block 6 East) (the “Site”), which was in compliance with the Mission Bay Affordable Housing Policy (the “Policy”). Consistent with the extended goals of the Mayor’s 10-year San Francisco Plan to Abolish Chronic Homelessness (“Plan”), the RFP included a requirement for twenty percent of
the housing to be set aside for formerly homeless households referred by the City and County of San Francisco's Human Services Agency ("HSA"). Additionally, the RFP included a requirement for onsite supportive services and associated services space to be incorporated into the development, as well as the requirement to comply with all applicable green building standards.

Development teams were allowed approximately 60 days to submit their proposals in response to the RFP. OCII received four submittals (by the July 16, 2014 deadline) in response to the RFP, all submitted by teams led by a Qualified Housing Developer, and including an architect, property manager, and services provider (together, the "Applicant"). OCII received submissions from four Applicants; however, one Applicant was disqualified because of an incomplete response. On August 7, 2014, the three Applicants were interviewed by an interdisciplinary team comprised of representatives from: the Mayor's Office of Housing and Community Development ("MOHCD"), HSA, the Mission Bay Citizen Advisory Committee, and OCII. The team unanimously selected the Applicant led by the Tenderloin Neighborhood Development Corporation to develop 1300 4th Street. On November 7, 2014, the Citywide Affordable Housing Loan Committee considered and approved a loan funding request of $2.5 million for predevelopment activities for 1300 4th Street.

Staff recommends authorizing an Exclusive Negotiations Agreement and a Predevelopment Loan Agreement with 1300 4th Street Associates, LP, in an amount not to exceed $2.5 million and adopting environmental findings pursuant to California Environmental Quality Act.

BACKGROUND

Mission Bay Affordable Housing Development

On September 17, 1998, the SFRA Commission approved the Mission Bay North and South Redevelopment Plans and Owner Participation Agreements ("OPAs") with the Mission Bay Master Developer. Since the initial approval of the South OPA the document has been amended four times to modify the development plan on several parcels.

The OPAs, as amended, require that approximately no fewer than 1,700 of the 6,350 housing units in Mission Bay overall be affordable to low- and moderate-income households. The Mission Bay Master Developer is obligated to create approximately 255 affordable units as part of its development plans in Mission Bay North, with up to an additional 53 inclusionary affordable units on Block 1 in Mission Bay South if market-rate rental units are constructed on the site. The remaining 1,445 units will be developed by nonprofit housing developers selected by the Agency on approximately 15 acres of land that the Master Developer is required to contribute to the Agency in Mission Bay North and South. These 15 acres are known as "Agency Affordable Housing Parcels."

The South OPA, as conditionally amended by the Commission on May 21, 2013, provides for the development of up to 3,393 housing units, of which approximately 1,108 will be affordable units on Agency Affordable Housing Parcels. In addition, inclusionary affordable housing units will be constructed on Block 1 if any market-rate rental projects are constructed on Block 1.
The Mission Bay Affordable Housing Policy ("Housing Policy") establishes that rental projects are affordable on average to households earning up to 60% of Area Median Income ("AMI"). As an example and based on 2014 figures, income for a family of four at 50% of AMI as published by the Mayor's Office of Housing and Community Development would be $48,550 per year with a monthly rent restricted to no more than $1,214 for a three-bedroom unit.

**1300 4th Street Request for Proposals Process**

In the Spring of 2014, OCII staff prepared an RFP for the development of the third Agency Affordable Housing Parcel in the Mission Bay South Redevelopment Project Area (included here as Attachment B, and includes RFP Attachments 1-10, i.e. those required for submittal by applicant teams). This will be the seventh affordable housing development in the overall Mission Bay Project Area. The table below represents the initial six affordable housing developments in the Mission Bay Project Area:

<table>
<thead>
<tr>
<th>Location</th>
<th>Project Name</th>
<th># of Units</th>
<th>Housing Type</th>
<th>Date Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Bay North</td>
<td>Rich Sorro Commons</td>
<td>100</td>
<td>Family rental</td>
<td>2002</td>
</tr>
<tr>
<td>Mission Bay North</td>
<td>Mission Creek Senior Community</td>
<td>140</td>
<td>Senior rental (including 49 units for homeless seniors)</td>
<td>2006</td>
</tr>
<tr>
<td>Mission Bay North</td>
<td>Crescent Cove</td>
<td>234*</td>
<td>Family rental</td>
<td>2007</td>
</tr>
<tr>
<td>Mission Bay North</td>
<td>Mission Walk</td>
<td>131</td>
<td>Family for-sale</td>
<td>2009</td>
</tr>
<tr>
<td>Mission Bay South</td>
<td>1180 4th Street</td>
<td>150</td>
<td>Family rental (including 50 units for homeless families)</td>
<td>2014</td>
</tr>
<tr>
<td>Mission Bay South</td>
<td>588 Mission Bay Boulevard North</td>
<td>**200</td>
<td>Family rental</td>
<td>2017</td>
</tr>
<tr>
<td><strong>TOTAL TO DATE</strong></td>
<td></td>
<td><strong>955</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Plus two manager's units.
** Project has not yet started construction.

Extensive notification of the RFP was provided to community groups, developers, contractors (including Small Business Enterprises and minority- and woman-owned contractors), other community stakeholders through OCII's Citizens Advisory Committees email lists, Mayor's Office of Housing and Community Development's ("MOHCD's") RFP/RFQ interest email list, newspaper advertising, and the RFP was available on OCII's website.

In order to ensure expedited development, OCII sought submittals from qualified teams comprised of a non-profit housing development corporation, a design architect, a property manager, and a supportive services provider (together, the "Applicant") to develop, manage and provide resident supportive services for up to 135 units of affordable, family rental housing (the "Project"). The Mission Bay Affordable Housing Policy required that OCII use non-profit housing organizations (with a preference for San Francisco-based organizations) to develop the
OCII sponsored affordable housing in Mission Bay. The RFP was drafted in collaboration with HSA staff as HSA will fund the contract associated with services for the formerly homeless families at the Project.

Upon completion of the project, OCII’s assets related to the site will be transferred to the MOHCD, which is the designated Housing Successor Agency under Dissolution Law. MOHCD reviewed the RFP, participated in the selection of the development team, and will also review and comment on the projects financial underwriting and funding and disposition documents in order to ensure a smooth transition to MOHCD at project completion.

DEVELOPMENT PROGRAM

In the RFP the Development Program for the Site sought submittals that included the following features:

- development of rental housing affordable to very low-income households and formerly homeless families while minimizing local financial subsidy;
- 80% of the units will be affordable to households earning up to 50% of area median income (“AMI”) which is $48,550 (unadjusted AMI published by HUD in 2014) for a family of four;
- 20% percent of the units will be set aside for formerly homeless households and these households will pay no more than 30% of their income for rent. The City and County of San Francisco’s Human Services Agency’s (“HSA”) Local Operating Subsidy Program (“LOSP”) will provide necessary operating subsidies to assist in covering the costs in serving these formerly homeless families;
- a supportive services plan to serve the needs of the formerly homeless families as well as support the service needs of the other residents;
- a mixture of one-, two- and three-bedroom units;
- ground floor retail space of up to 8,800 square feet, along Fourth Street for future retail tenants that are locally-oriented small businesses;
- a program that incorporates excellent, visually interesting design and financial feasibility;
- “green” and sustainable building strategies in accordance with the City’s requirements;
- utilize the 63,256 square foot Site and provide for a maximum of 135 units; and
- consistency with green building guidelines and recent parking demand at other affordable projects in Mission Bay, provide off-street parking at a ratio of no more than one parking space per unit.

Four submittals were received (by the July 16, 2014 deadline) in response to the RFP, all submitted by teams led by a Qualified Housing Developer, and including an architect, property manager, and services provider (together, the “Applicant”). OCII received submissions from the following four Applicants:
<table>
<thead>
<tr>
<th>Qualified Housing Developer</th>
<th>Architect</th>
<th>Property Manager</th>
<th>Services Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridge Housing Corp</td>
<td>Seidel Architects</td>
<td>Bridge Housing Corporation</td>
<td>Hamilton Family Center</td>
</tr>
<tr>
<td>Mercy Housing + San Francisco Housing Development Corp</td>
<td>Leddy Maytum Stacy Architects + Paulett Taggart Architects</td>
<td>Mercy Housing</td>
<td>Episcopal Community Services</td>
</tr>
<tr>
<td>Tenderloin Neighborhood Development Corp</td>
<td>Mithun Solomon + Studio VARA</td>
<td>Tenderloin Neighborhood Development Corp</td>
<td>TNDC Social Services + 826 Valencia</td>
</tr>
<tr>
<td>Chinatown Community Development Center</td>
<td>Herman Coliver Locus Architects</td>
<td>Chinatown Community Development Center</td>
<td>Chinatown Community Development Center</td>
</tr>
</tbody>
</table>

Upon receipt of the submittals, OCII staff verified the completeness of each submittal. Consistent with what was stated in the RFP, only complete submittals were evaluated. The submittal made by Chinatown Community Development Center was not complete because it omitted the Contracting and Workforce Action Plan – a requirement of the RFP. As a result, Chinatown Community Development Center was not interviewed.

The submittals by the remaining three Applicants were thoroughly reviewed initially by OCII staff; those results were provided to the multidisciplinary selection panel that included OCII staff, a MOHCD representative, a HSA representative, as well as one member from the Mission Bay CAC (the “Selection Panel”). The Selection Panel that reviewed the Applicants’ submittals also interviewed Applicants on August 7, 2014. After the interviews, the Selection Panel scored each team based upon the selection criteria and point allocation described in the RFP. The team led by TNDC was the unanimous selection of the Selection Panel. On September 12, 2014, the Commission received an Informational Memorandum with the results of the RFP selection process.

The Selection Panel deemed that the proposal submitted by the team led by TNDC was most consistent with the criteria described in the RFP. The TNDC proposal impressed the Selection Panel because of its: strong fundamentals, including a feasible financing plan as well as a stated intent to pursue additional sources of funds that would reduce the required subsidy from OCII; strong and credible commitment to not increase the required subsidy required of OCII from the amount represented in the proposal; architecture team with relevant experience and compelling precedent projects; core services provider with whom HSA has had positive experiences; and the creative inclusion of the nonprofit organization known as 826 Valencia to provide after school literacy programming in a storefront space to help in the activation of the 4th Street retail frontage, and contribute to service provision for residents.
1300 4th Street Project

1300 Fourth Street (MBS Block 6E) is located across Fourth Street from the 588 Mission Bay Boulevard North (formerly MBS Block 7W) development located to the east of Block 6E.

The City’s 2010-2014 Consolidated Plan prioritizes affordable family housing development in San Francisco. Furthermore, the development program for the Site is in furtherance of the goals of MOHCD’s Consolidated Plan (2010) and San Francisco’s Ten Year Plan to Abolish Chronic Homelessness (2004) by requiring that 20% of the units be set aside for formerly homeless families, as referred by HSA. Goal 4 of the Plan states, “San Francisco residents of all income levels will have safe, healthy and affordable housing”; the Plan’s very first objective is to create housing for individuals and families earning 0-60% AMI. The Plan’s fourth objective is to provide services and supportive housing for people with specific needs.

The Project will include an equal distribution of 1, 2 and 3-bedroom units, which will be affordable to households at 50% of Area Median Income (“AMI”). Currently, the Sponsor anticipates operating subsidy funding to support the formerly homeless households from either the City’s Shelter + Care Program or the Local Operating Subsidy Program. The source of the operating subsidy will be finalized during the predevelopment period. The unit types for the supportive housing units (20% of total) will be determined once the funding source is known.

The proposed design will be a gateway to the 4th Street retail corridor. The design for this 135 unit development will include 20 townhomes and flats and 115 apartment units in 3-5 story buildings, and will present differently on each side of the development. The most dramatic view of the building is from the south across the Mission Bay Park, which includes a rounded and strongly colored element over a glassy ground floor restaurant.

The northern most corner of the building will be designed to house the services provider, 826 Valencia’s Pirate Store, which is a retail provider of fun and imaginative pirate supplies. A portion of the revenue generated by the Pirate Store will go to support the 826 Valencia services at 1300 4th Street. The balance of the retail spaces will be built for maximum flexibility at build-out. Corner spaces include restaurant features including a commercial kitchen with venting which is sufficient to trap grease. To the north (along China Basin Street) the design includes a more simple but strongly colored horizontal bar, capped with a roof garden and service elements (i.e., roof-top play area) which are sheltered by a “wind-row” of small trees. The walkway that is shared with Block 6W will be lined with townhomes over flats with stoop entries. An interior courtyard route to the ground floor units provides accessible entries for the flats and visit-able townhomes.

Internally the development will include a network of midblock courtyards and shared spaces. The residential entry fronting Mission Bay Boulevard North leads to a two-level sequence of mid-block courtyards, which contain amenities and programs, including the 826 Valencia literacy program. A large community room and gathering space for teens, face each other across a courtyard with outdoor seating and barbecue amenities. An upper level garden provides space for “passive” play which will be accessed from a lower courtyard via stair, or from the second level, and a “Quiet Courtyard” will be included as a place for more passive activities (i.e., reading and visiting).
A total of 41 off-street parking spaces, or 34 for residents (.25:1 parking space to unit ratio) and 5 for commercial tenants and 2 car share will be included in the podium. Pursuant to the OCII’s requirements, the Project will incorporate concepts that satisfy standards of the City’s Green Building Requirements Ordinance as specified in the City of San Francisco, Department of Building Inspection, Administrative Bulletin No. AB-093 (the “Bulletin”). The Developer has initiated the design review process with OCII staff and anticipates having a schematic design for Commission approval in the Spring of 2015.

Predevelopment Loan

On November 7, 2014, the Citywide Affordable Housing Loan Committee approved a $2,500,000 predevelopment loan request to commence predevelopment activities. The predevelopment loan will be funded with Mission Bay North and South tax increment that is pledged for affordable housing purposes through the Mission Bay North and South OPAs. This predevelopment loan will allow the Developer to work with the architecture team of Mithun Solomon and VARA Studios Architects to develop the design through to construction drawings (to Project entitlements), along with survey and engineering work, legal costs, due diligence studies, and developer fee. The predevelopment loan terms include a rate of 3% simple interest, and the predevelopment loan will convert to a permanent loan at construction loan closing. Additionally, the Developer will comply with the OCII Small Business Enterprise and Equal Opportunity policies and a maximum developer fee amount of $233,000 will be available to the Developer during the predevelopment period.

A more thorough evaluation of the predevelopment funding request can be found in the attached Citywide Loan Committee Loan Evaluation (the “Loan Evaluation”). In particular, the Loan Evaluation includes several loan conditions to assist the Developer, in achieving its due diligence during the ENA period. Specifically, staff is requesting: 1) the Sponsor work with staff to clarify the lottery process; 2) when considering a construction manager include Mission Bay experience; 3) provide a balanced budget for 826 Valencia; and, 4) meet with OCII and MOHCD staff to review 50% construction documents and its commensurate cost estimate as a method to assist in cost containment and retaining a reasonable OCII subsidy contribution for the Project.

Exclusive Negotiations Agreement

The ENA enables the Developer to pursue predevelopment activities leading to the construction of 1300 4th Street. Per the ENA, the Developer has paid to OCII the cash sum of One Thousand Dollars ($1,000) as an earnest money deposit. An additional $9,000 will be due to OCII at the time of the execution of the ENA. The total $10,000 is considered the Performance Deposit, which will be held by OCII until construction completion. The term of the ENA is through April 30, 2016, which is the projected construction start date. The ENA allows for two, six-month extensions, to be approved by the Executive Director, in the event the project incurs unexpected delays. The ENA further defines a series of milestones that will result in the execution of a ground lease for the Site between OCII and the Developer (“Ground Lease”) which will be presented for consideration by the OCII Commission in early 2016. Milestones include:

- submission of design concept drawings acceptable to OCII;
- submission of a preliminary financing plan which is acceptable to OCII;
The ENA is included with this memorandum as Attachment 3.

**Project Schedule**

Per the ENA, the concept and schematic design drawings, along with the preliminary financing plan need to be submitted to OCII no later than March 15, 2015. A general contractor and a cost estimate must be submitted no later than July 9, 2015, and design development documents must be received no later than October 28, 2015.

According to the current schedule, staff expects to return to the Commission for schematic design approval for the Block 6E Project in April 2015. The Developer intends to: apply to the State for a multifamily housing revenue bond allocation and Low Income Housing Tax Credits in October 2015; complete construction bidding by March 2016; start construction in April 2016; and complete construction by December 2017.

**Equal Opportunity Program and Compliance with OCII Policies**

The Developer shall comply with the OCII’s Nondiscrimination in Contracts, Minimum Compensation and Health Care Accountability policies and has worked closely with contract compliance staff to comply with the Small Business Enterprise (SBE) Program on this development.

During the construction phase of this project, the Developer is committed to meeting OCII’s requirements and goals which includes the 50% SBE construction subcontracting participation goal, payment of prevailing wages and the 50% local construction workforce hiring goal.

**Mission Bay Citizens Advisory Committee**

As previously mentioned, a member of the Mission Bay Citizens Advisory Committee (MB CAC) was included in the submittal review and interview process. Additionally, on August 14, 2014, the team led by TNDC presented the Project to the MB CAC. The MB CAC supports the Project and the development team.

**CALIFORNIA ENVIRONMENTAL QUALITY ACT**

As part of its actions on September 17, 1998, establishing the Mission Bay Redevelopment Project Areas, the former Agency Commission certified the FSEIR (Resolution No. 182-98), adopted findings under CEQA, adopted a series of mitigation measures, and established a comprehensive system for mitigation monitoring (Resolution No. 183-98). The Board of Supervisors, the Planning Commission and various City departments adopted similar findings and mitigation measure monitoring plans. This FSEIR includes by reference a number of addenda.
Copies of the full four-volume FSEIR were distributed to the former SFRA Commission prior to the 1998 certification and adoption of the environmental findings. Copies of the FSEIR were provided to this Commission as part of the March 5, 2013 Commission memo for Block 40, and are available for review at OCII’s offices.

Staff has reviewed the predevelopment loan agreement and has considered and reviewed the FSEIR and addenda. Staff has determined that the action is within the scope of the Block 6E project analyzed in the FSEIR and subsequent addenda and no additional environmental review is required pursuant to State CEQA Guidelines Sections 15180, 15162, and 15163.

**NEXT STEPS**

Staff will return to the OCII Commission in Spring 2015 for schematic design approval, and in early 2016 for the permanent gap loan and a long term ground lease.

* (Originated by Pamela Sims, Development Specialist, Office of Community Investment and Infrastructure)

Tiffany Boice  
Executive Director

Attachments:  
1. Loan Evaluation – November 7, 2014  
2. Predevelopment Loan Agreement  
3. Exclusive Negotiations Agreement  
4. Location Map