RESOLUTION NO. 31-2013
Adopted July 16, 2013

ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND APPROVING, SUBJECT TO THE REVIEW AND APPROVAL OF THE OVERSIGHT BOARD AND THE DEPARTMENT OF FINANCE, PART 1 OF THE LONG RANGE PROPERTY MANAGEMENT PLAN THAT ADDRESSES THE DISPOSITION AND USE OF THREE PROPERTIES: (1) AN IMPROVED SUBTERRANEAN PUBLIC PARKING GARAGE COMMONLY KNOWN AS THE JESSIE SQUARE GARAGE LOCATED GENERALLY BELOW JESSIE SQUARE PLAZA (ASSESSOR’S BLOCK 3706, LOT 275 AND PORTIONS OF LOT 277); (2) AN APPROXIMATELY 9,778-SQUARE-FOOT UNDEVELOPED PARCEL FRONTING MISSION STREET BETWEEN THIRD AND FOURTH STREETS ADJACENT TO JESSIE SQUARE PLAZA (ASSESSOR’S BLOCK 3706, A PORTION OF LOT 277); AND (3) A 3,690-SQUARE-FOOT AIR RIGHTS PARCEL LOCATED ABOVE JESSIE SQUARE PLAZA (ASSESSOR’S BLOCK 3706, A PORTION OF LOT 277)

WHEREAS, The Successor Agency (otherwise known as the Office of Community Investment and Infrastructure) became the successor to the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, exercising its functions and powers and organized and existing under the Community Redevelopment Law of the State of California (the “Former Redevelopment Agency”), after the Former Redevelopment Agency was dissolved on February 1, 2012, pursuant to the California Assembly Bill known as AB 26 and the California Supreme Court’s decision and order in the case entitled California Redevelopment Association et al. v. Ana Matosantos. Shortly thereafter, all of the Former Redevelopment Agency’s non-housing assets, including all real property, were transferred to the Successor Agency; and

WHEREAS As a result of AB 26, the Successor Agency owns three properties: (1) an approximately 9,778-square-foot undeveloped parcel fronting Mission Street between Third and Fourth Streets, adjacent to Jessie Square Plaza (the “Mexican Museum Site”), (2) an improved subterranean public parking garage commonly known as the Jessie Square Garage located generally below Jessie Square Plaza (the “Jessie Square Garage”), and (3) a 3,690-square-foot air rights parcel above Jessie Square Plaza (the “Air Rights Parcel”) (collectively, the “Agency Property”). The Former Redevelopment Agency acquired the Agency Property with federal urban renewal funds and the Agency Property continues to be subject to an enforceable obligation with the federal government; and
WHEREAS, The Agency Property is located within the boundaries of the former Yerba Buena Center Approved Redevelopment Project Area D-1 and was subject to the Redevelopment Plan for the Yerba Buena Center Approved Redevelopment Project Area D-1 (the "Project Area"), which was duly adopted, by Ordinance No. 98-66 (April 29, 1966) in accordance with Community Redevelopment Law, and which expired by its own terms on January 1, 2011 (the "Redevelopment Plan"). The purpose of the Redevelopment Plan was to redevelop and revitalize blighted areas in the Project Area; and

WHEREAS, The Former Redevelopment Agency originally acquired the Agency Property with urban renewal funds provided through a federal Contract for Loan and Capital Grant dated December 2, 1966 (Contract No. Calif. R-59) and approved by the U.S. Department of Housing and Urban Renewal (the "HUD Contract"). Under the HUD Contract, the Former Redevelopment Agency was required to use the federal funds to carry out redevelopment activities in accordance with the Redevelopment Plan and the federal standards for urban renewal under Title I of the Housing Act of 1949; and

WHEREAS, In 1983, the Former Redevelopment Agency and the City and County of San Francisco (the "City") executed, with HUD concurrence, the Yerba Buena Center Redevelopment Project Closeout Agreement ("YBC Closeout Agreement") whereby the Former Redevelopment Agency agreed to retain the Agency Property (and other parcels identified as "Project Property" in Exhibit A to the YBC Closeout Agreement) for disposition, subject to applicable federal law and subject further to restrictions on the use of any proceeds received from the sale or lease of the Project Property (See Section 1(b) & (c) of the YBC Closeout Agreement). Under the YBC Closeout Agreement, HUD required the Former Redevelopment Agency to use the Project Property and proceeds from its sale for "necessary and/or appropriate economic development activities," which included “the development, operation, maintenance, and security of an office building, hotel, retail and housing and related parking integrated with open space . . . and cultural facilities.” YBC Closeout Agreement, § 1 (c) & Exhibit B, § 1 (a) (Aug. 10, 1983). In approving the YBC Closeout Agreement, HUD emphasized that “all future proceeds from the sale or lease of Project Property must be treated as program income under the CDBG [Community Development Block Grant] program.” Letter, H. Dishroom, HUD Area Manager, to D. Feinstein, Mayor, Re: Project No. Calif. R-59 (Aug. 10, 1983); and

WHEREAS, For over 30 years the Former Redevelopment Agency held the Agency Property for the governmental purposes identified in the YBC Closeout Agreement and identified the Agency Property as the future, permanent home of The Mexican Museum, a California non-profit corporation. The Successor Agency, as successor in interest to the Former Redevelopment Agency, and The Mexican Museum are parties to that certain Agreement for Disposition of Land for Private Development dated as of July 30, 1993 (as amended, the
“LDA”) which contemplated the development of a stand-alone museum for The Mexican Museum on the Agency Property. The LDA has been amended eight times, most recently on December 7, 2004. Under the Eighth Amendment, the Former Redevelopment Agency and The Mexican Museum agreed to work cooperatively to explore alternatives for the museum facility, including the inclusion of The Mexican Museum as a cultural component in a larger development; and

WHEREAS, In 2000, the Former Redevelopment Agency originally approved, by Agency Resolution No. 89-2000 (June 20, 2000), the construction of the Jessie Square Garage and subsequently amended, by Agency Resolutions Nos. 185-2002, 191-2002, 192-2002 (Oct. 22, 2002), the development program and funding for the Jessie Square Garage. Development of the Jessie Square Garage satisfied numerous objectives of the Redevelopment Plan, the YBC Closeout Agreement, and the LDA with The Mexican Museum. Among other things, the Jessie Square Garage met the future parking demand from the build-out of the Agency Property; and

WHEREAS, The Jessie Square Garage was built as part of a larger construction project of public improvements, which was financed with approximately $43.1 million in tax increment bonds authorized by the City’s Board of Supervisors (the “Garage Bonds”). The Jessie Square Garage is operated by a parking operator, with net revenues passed back to the City to offset tax increment provided to the Successor Agency to pay the debt service on the Garage Bonds pursuant to that certain Cooperation and Tax Increment Reimbursement Agreement (Jessie Square Improvements) by and between the City and the Successor Agency (as successor in interest to the Former Redevelopment Agency) dated as of January 13, 2003 (the “Cooperation and Tax Reimbursement Agreement”). The Agency Property is currently unimproved, except for a foundation and basement that was previously constructed for the stand-alone museum for The Mexican Museum, as part of the development of the Jessie Square Garage; and

WHEREAS, 706 Mission Street Co., LLC, a Delaware limited liability company and an affiliate of Millenium Partners (the “Developer”), proposes to build a mixed-use project on the Agency Property and on an adjacent property owned by the Developer. The proposed project as now contemplated consists of (a) residential uses in a new tower of approximately 510 feet in height (480 feet plus a 30 foot mechanical penthouse) (the “Tower”), (b) a cultural component of approximately 48,000 net square feet fronting Jessie Square (the “Cultural Component”) for The Mexican Museum (which excludes the Restaurant/Retail Space as defined below), (c) the historic rehabilitation of the Aronson Building (the “Historic Rehabilitation”), (d) approximately 4,800 gross square feet of additional restaurant/retail uses on the ground floor of the Aronson Building (the “Restaurant/Retail Space”), which will be owned by Developer and shall be separately leased by Developer to The Mexican Museum for revenue generation in connection with the operation of the
Cultural Component, and (e) the purchase of the Jessie Square Garage (collectively, the “Project”). The Jessie Square Garage would be dedicated to both Project-related uses and public uses; and

WHEREAS, On June 27, 2012, California’s Governor approved companion legislation to AB 26 entitled AB 1484 (together, “Redevelopment Dissolution Law”). AB 1484 imposes certain requirements on the successor agencies to redevelopment agencies established by AB 26, including a requirement that suspends certain dispositions of former redevelopment agency property until certain state-imposed requirements are met. Excluded from such suspension are certain transfers of property to the “appropriate public jurisdiction” in furtherance of a “governmental purpose” if the oversight board for a successor agency directs the successor agency to transfer the property, as well as “obligations required pursuant to any enforceable obligations.” Cal. Health & Safety Code §§ 34177(c); 34181(a); 34191.4; and

WHEREAS, Redevelopment Dissolution Law requires successor agencies to prepare a long range property management plan to dispose of any of its properties (Cal Health & Safety Code § 34191.5). The plan must include an inventory of all successor agency properties, with information about date of acquisition, purpose of acquisition, parcel data, current value, revenue generation, environmental contamination, potential for transit-oriented development, and previous development proposals for each property. The plan must also categorize each property by one of four permissible uses: (1) retention for governmental use; (2) retention for future development; (3) disposition; or (4) use of the property to fulfill an enforceable obligation; and

WHEREAS, The Former Redevelopment Agency, and now the Successor Agency, have held the Agency Property for the governmental purposes described in the YBC Closeout Agreement and the CDBG program (See 24 C.F.R. §§ 570.201 (completion of urban renewal projects under Title I of the Housing Act of 1949) and 24 C.F.R. § 570.800 (pre-1996 federal urban renewal regulations continue to apply to completion of urban renewal projects)) (“CDBG Program Requirements”). The YBC Closeout Agreement is an enforceable obligation requiring the Successor Agency to retain the property until it is transferred for “necessary and/or appropriate economic development activities.” YBC Closeout Agreement, § 1 (b) (“The Project Property shall be retained for disposition by the Agency.”); and

WHEREAS, The Successor Agency has prepared a long range property management plan (the “LRPMP”) for the Agency Property and proposes to sell the Agency Property to the Developer for its appraised value pursuant to the governmental purposes of and enforceable obligations mandated by the YBC Closeout Agreement and the CDBG Program Requirements, and as described above, in compliance with AB 1484. The disposition of the Agency Property is subject to the terms of the YBC Closeout Agreement and the CDBG Program Requirements and thus serves the governmental purposes applicable to
completion of urban renewal projects (i.e., disposition for economic development purposes); and

WHEREAS, The purchase price for the Agency Property is Thirty Four Million Two Hundred Eighty Thousand Dollars ($34,280,000), which is equal to the sum of (a) the $21,620,000 fair market value of the Jessie Square Garage and the $12,570,000 fair market value of Parcel CB-1-MM “As-Is Scenario A,” each as reflected in the Valuation Report for Jessie Square/Parcel CB-1-MM/Jessie Square Garage prepared by CBRE for the Successor Agency, dated June 12, 2013 and (b) the $90,000 fair market value of the Jessie Square Airspace Parcel as reflected in the Valuation Report for the Jessie Square Airspace Parcel prepared by CBRE for the Successor Agency, dated June 12, 2013. The developer has agreed to pay the purchase price by repaying the outstanding debt associated with the construction of the Jessie Square Garage and related public improvements. The amount of this indebtedness as of June 1, 2013 is $25,284,468 under the Garage Bonds and $18,311,670 under the Cooperation and Tax Reimbursement Agreement. The Developer will receive a dollar-for-dollar credit toward the payment of the purchase price based on repaying this indebtedness; and

WHEREAS, In addition to receiving value in excess of the Agency Property’s appraised value, this transaction has the additional benefit of defeasing the Garage Bonds, which will free up future tax increment that would otherwise have been used for debt service. Thus, the transaction will result in an increase in payments to taxing entities during future years as well as facilitate the winding down of the Successor Agency’s obligations with respect to this existing obligation; and

WHEREAS, The transaction contemplated under the LRPMP is further documented in a Purchase and Sale Agreement between the Successor Agency and the Developer, with the Mexican Museum as a third-party beneficiary (the “PSA”). The PSA was considered and approved by the OCII Commission concurrently with the approval of the LRPMP; and

WHEREAS, The LRPMP complies with provisions of the Redevelopment Dissolution Law requiring approval of a LRPMP prior to transfer of a former redevelopment agency’s property, which is a separate action implementing the LRPMP, and thus the LRPMP is exempt from the California Environmental Quality Act (“CEQA”) on the following grounds: (1) under Section 15262 of the State CEQA Guidelines, the LRPMP is a planning study for a future action that has not yet been approved and does not legally bind OCII to transfer the property; (2) under Section 15061 (b) (3) of the CEQA Guidelines, the LRPMP does not have the potential for causing a significant effect on the environment because it merely provides documentation for pre-disposition and planning activities; and (3) under Section 15268 of the CEQA Guidelines, the LRPMP is a ministerial act required under the Redevelopment Dissolution Law; and
WHEREAS, Although the LRPMP itself is exempt from CEQA, the OCII Commission is concurrently considering, by Resolution 32-2013 (as attached hereto), approval of the PSA and the adoption of environmental findings under CEQA and the CEQA Guidelines (the “Findings”) for that action. Such Findings are made pursuant to the Successor Agency’s role as the responsible agency under CEQA for the Project. The Findings, as attached hereto, are hereby incorporated herein by this reference as if fully set forth; now therefore be it

RESOLVED, That the Commission on Community Investment and Infrastructure hereby finds that the LRPMP is exempt from CEQA and approves the LRPMP in compliance with Redevelopment Dissolution Law for the subsequent sale of the Agency Property to the Developer to build the Project.

Exhibit A: Commission Resolution 32-2013 approving the Purchase and Sale Agreement
Exhibit B: Environmental Findings

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of July 16, 2013.

[Natoshe Jones]
Commission Secretary