EXECUTIVE SUMMARY

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) submits its Long-Range Property Management Plan (“PMP”) for the disposition of certain real property (the “Mission Bay Property”) in the Mission Bay North and South Redevelopment Project Areas (together, the “Mission Bay Project”). The Mission Bay Property includes land that the Successor Agency owns and leases (now and in the future) for parks and affordable housing.

In November 1998, the former redevelopment agency (the “SFRA”) and the master developer and owner of most of the land in the Mission Bay Project (the “Developer”) entered into Owner Participation Agreements (the “OPAs”) authorizing a mixed-use, mixed-income transit-oriented development on 300 acres of land.

Under the OPAs, the Developer is required, among other things, to develop Park Parcels on land owned by the City and County of San Francisco (the “City”). The Successor Agency is required to lease, in phases, the Park Parcels from the City (as they are developed into parks) and maintain them using funds generated from a community facilities district (the “Maintenance CFD”). Under the CFD formation documents, the Successor Agency administers the Maintenance CFD until fiscal year 2043-44. A 2001 Ground Lease with the City, which terminates in 2045, implements the Successor Agency’s obligation to lease and maintain the Mission Bay Park Parcels (the “Agency Lease”). To date, the Successor Agency has leased about 13.2 acres under the Agency Lease (the “Completed Parks”) and will lease an additional 27.3 acres when they are complete (the “Future Parks”).

In addition, the OPAs require the Developer to contribute “building ready” Affordable Housing Parcels to the Successor Agency after the Developer has remediated hazardous materials, graded the sites, and provided infrastructure for the development of affordable housing. The Successor Agency is required to use the Affordable Housing Parcels solely for the development of affordable housing units using tax increment generated from Mission Bay.

In light of the Redevelopment Dissolution Law’s wind down of former redevelopment agency activities, the Successor Agency proposes the following disposition plan providing for the early termination of the Agency Lease for the Park Parcels and the transfer of Affordable Housing Parcels to the City as Housing Successor after the Successor Agency fulfills its obligation to fund and develop affordable housing on the parcels:

- **Park Parcels** – Continue to lease the Completed Parks (Parks NP1-5, P1, P10, P16-18, and P21) under the Agency Lease and add Future Parks (Parks P2-3, P5-7, P8-9, P11, P11A, P12-13, P15, P19-20, P22-24, and P26-27) to the Agency Lease as they are
developed into parks. The Successor Agency will ensure completion of all Future Parks and then terminate its leasehold interests and transfer the property management responsibility of all the Park Parcels to the City for a governmental purpose (i.e., a cohesive public park system). The estimated transfer date is 2022.

- **Affordable Housing Parcels** -- Acquire and retain the Affordable Housing Parcels (Blocks 3 East, 4 East, 6 East and West, 7 West, 9 and 9A, and 12 West) to fulfill the Successor Agency’s obligation under the OPAs to develop Affordable Housing Parcels and, upon completion of each specific development, transfer it to the City Housing Successor, as required under Redevelopment Dissolution Law. The estimated transfer dates are between 2015 and 2022.

**BACKGROUND**

During the early-to-mid-1990s, the neighborhood currently known as Mission Bay was an underutilized industrial railyard, primarily owned by one private property owner, Catellus Development Corporation, which was the development arm of the former rail company. Some of the Mission Bay lands were also owned by the City, including portions owned by the Port of San Francisco (the “Port”). Some of the publicly owned lands are under the jurisdiction of the State Lands Commission, as waterfront land held in public trust.

In November 1998, the City's Board of Supervisors approved Redevelopment Plans for Mission Bay North and for Mission Bay South (the "Redevelopment Plans"), establishing the Mission Bay North and South Redevelopment Project Areas, which together cover approximately 300 acres. Mission Bay is a mixed-use, mixed-income transit-oriented development that is well in progress. At full build-out, it will contain up to 6,350 new residential units, including 1,900+ affordable units. The project includes up to 4.4 million square feet of private commercial space, including office space for high-tech companies and laboratory space for biotechnology and life science companies. Importantly, the project has at its center a 43-acre research campus for the University of California, San Francisco ("UCSF") and a new UCSF medical center serving children, women and cancer patients. It also includes neighborhood-serving retail, a new hotel, and other public facilities, such as a new public library, new local fire and police stations, and possibly a new public school.

Also in November 1998, in conjunction with the approval of the Redevelopment Plans, the SFRA and the Developer, Catellus Development Corporation (“Catellus”), entered into the OPAs for the Mission Bay North and South projects. FOCIL-MB, LLC, an entity that Farallon Capital Management controls, is the successor-in-interest to Catellus and holds all of Catellus' rights and obligations as “Owner” under the OPAs. There are separate OPAs for Mission Bay North and Mission Bay South, but the OPAs are substantially similar, particularly as to the enforceable obligations that are the subject of this PMP.¹ Planning for the Mission Bay North

¹ On November 20, 2012, the Successor Agency requested a “final and conclusive” determination from DOF that the North OPA and the South OPA are enforceable obligations under Redevelopment Dissolution Law.
and Mission Bay South projects are closely intertwined and the public's ability to realize the full benefits of each separate project depends on the successful development of both projects.

Also in 1998, the Developer, the City, and the City acting through the Port, executed land transfer agreements to facilitate the appropriate land uses under the Redevelopment Plans (the “Land Transfer Agreements”). The Land Transfer Agreements include the Amended and Restated Mission Bay City Land Transfer Agreement (the “CLTA”), the Amended and Restated Mission Bay Port Land Transfer Agreement (the “PLTA”), and the Amended and Restated Agreement Concerning the Public Trust, which included as a party the State of California (the “Public Trust Agreement”).

Both the CLTA and the PLTA require the City and the Port to lease approximately 40 acres of City-owned land designated as parks in the Mission Bay Redevelopment Plan to the SFRA (the “Park Parcels”). Under the CLTA and the PLTA, the SFRA (and now the Successor Agency) must maintain the Park Parcels using funds generated from a community facilities district that runs until 2043 – a date that is 45 years from the adoption of the Mission Bay Redevelopment Plan. The PLTA also includes a term sheet for the Agency Lease.

Mission Bay Enforceable Obligations

Obligations regarding the Park Parcels. Under the OPAs, the Developer is required to finance and build the park improvements on the publicly owned Park Parcels. The OPAs, at Section 7, state that the “Agency shall enter into the Agency Lease” within a certain time period (between 30 and 60 days) after the Developer begins the park improvements on a Park Parcel. In the Financing Plans attached as Attachment E to the OPAs, the former redevelopment agency agreed to form the Maintenance CFD “for the purpose of providing monies to pay the ongoing maintenance” of the Park Parcels. (See Section 7.A.i of the Financing Plan.) The Financing Plan further provided that “[a]ll CFDs established to implement the Financing Plan will be formed by the [Agency] Commission, acting as the legislative body for the CFDs under the [Mello-Roos Community Facilities] Act.” (See Section 3.A.i. of the Financing Plan.) Finally, it required the SFRA to use the taxes collected from the Maintenance CFD to “operate, maintain, and repair, or cause to be operated, maintained, and repaired” the Park Parcels for 45 years (i.e., until 2043). The SFRA formed, by Agency Resolution No. 217-99 (Dec. 21, 1999), the Maintenance CFD and approved the Rate and Method of Apportionment of Special Tax.

To implement the obligations under the OPAs, the former redevelopment agency entered into a Ground Lease with the City (and the City acting through the Port) on November 16, 2001 (the “Agency Lease”). The Agency Lease runs for 45 years, and currently covers the Completed Parks. The rent is $1 per year, to be payable in advance ($45 was paid to the City at lease commencement). The Agency Lease requires the Successor Agency to add Future Parks to the leasehold after the City and Agency have received the Developer’s notice “specifying the portions of the Open Space Development Parcels that the Owner intends to develop as public open space, parks, or plazas in accordance with the Plan documents.” (See Ground Lease, Section 2.1 at page 7.)
Obligations regarding Affordable Housing Parcels. The OPAs require the Developer to donate “building ready” land to the Successor Agency for the development of affordable housing. The OPAs and the Tax Increment Allocation Pledge Agreements for Mission Bay North and South require the Successor Agency to use tax increment generated from the Mission Bay Project to finance the affordable housing development. The North OPA (See Attachment C, Housing Program) requires the Developer to contribute between 2.5 and 3.8 acres to the Successor Agency for the development of up to 345 affordable housing units. The South OPA (See Attachment C, Housing Program) requires the Developer to contribute 11.5 acres to the Successor Agency for the development of up to 1,108 affordable housing units. The total 14.9 acres are the “Affordable Housing Parcels.” The OPAs require the Developer to record a “memorandum of option” on any Affordable Housing Parcel to be donated to the Successor Agency in the future as each major phase of development is approved. The Successor Agency is required to accept title to the Affordable Housing Parcels once the Successor Agency is ready to start construction on the parcel, assuming the stated preconditions are met. The Successor Agency must ensure that these parcels are developed with affordable housing, using the tax increment that is pledged from the Mission Bay Project. Since dissolution of the former redevelopment agency, the Successor Agency has transferred approximately 394 units of affordable housing in 4 separate projects to the City Housing Successor as required under Redevelopment Dissolution Law.

LONG-RANGE PROPERTY MANAGEMENT PLAN (“PMP”)

The Mission Bay Property is comprised of the Park Parcels (40.5 acres, which includes both the Completed Parks and the Future Parks) and the Affordable Housing Parcels (14.9 acres, which includes eight parcels the Successor Agency will own in the future). These properties are also shown on Attachment A (DOF Tracking Sheet for Mission Bay) and Attachment B (Map of Mission Bay Property).

Date of Acquisition

See Attachment A for acquisition dates for the Park Parcels and the Affordable Housing Parcels.

Value of Property at Time of Acquisition

See Attachment A for acquisition values for the Park Parcels and the Affordable Housing Parcels.

Estimate of the Current Value

See Attachment A for estimates of current values for the Park Parcels and the Affordable Housing Parcels. The source of the values for the Park Parcels is based on the current tax rolls. The Affordable Housing Parcels have an estimated value of zero under Redevelopment Dissolution Law due to long-term affordability restrictions and future transfer to the City as Housing Successor Agency.
Purpose for which the Mission Bay Property was Acquired

The Park Parcels are leased by the Successor Agency for the purpose of maintaining the Park Parcels with special taxes that the Successor Agency collects through the Maintenance CFD, as required by the OPAs. The Park Parcels have been designed and developed as a cohesive park system. For example, park maintenance facilities are shared and concentrated in certain areas to cut costs and streamline operations.

The Affordable Housing Parcels will be acquired by the Successor Agency for the purpose of constructing affordable housing, as required by the OPAs. Upon completion of a particular affordable housing development, the Successor Agency will transfer it to the Housing Successor, as required under Redevelopment Dissolution Law.

Address/Location

See Attachment A for the specific addresses/locations of the Park Parcels and the Affordable Housing Parcels. A map of these parcels is attached as Attachment B.

Lot Size

See Attachment A for the lot sizes of the Park Parcels (40.5 acres) and the Affordable Housing Parcels (14.9 acres). A map of these parcels is attached as Attachment B.

Current Zoning

The Park Parcels are zoned MB-RA in the San Francisco Planning Code. The MB-RA zone refers to the Mission Bay Redevelopment Plan which designates the Park Parcels as “Open Space.” The Affordable Housing Parcels are also zoned MB-RA in the San Francisco Planning Code. The MB-RA zone refers to the Mission Bay Redevelopment Plan which designates the Affordable Housing Parcels as “Mission Bay South Residential.”

Estimate of Revenues Generated (Including Contractual Requirements for Use of Funds)

The Park Parcels currently generate a small amount of revenue (less than $30,000 a year) from special events and facility rental fees. This money is used to offset the cost of those private events and support public community events, such as kite-day and free concerts. The Affordable Housing Sites are owned by the Developer, so the parcels do not currently generate any revenues for the Successor Agency.

History of Environmental Contamination, Studies, Remediation Efforts

The Mission Bay Property has undergone significant environmental studies over the past several decades. As part of the original approval process, an Environmental Impact Report was prepared in 1998 that addressed environmental contamination within the Mission Bay Project. The area is considered a brownfield site, with low levels of contamination, resulting from the materials used to fill in the bay over the years. A Risk Management Plan ("RMP") was prepared for the
Mission Bay Project in 1999. The RMP applies to both the Park Parcels and the Affordable Housing Parcels and includes mitigations to address soil contamination on all sites.

Potential for Transit-Oriented Development; Advancement of Planning Objectives

The Mission Bay Project is a successful example of transit-oriented development. In 2010, the Mission Bay Project was recognized by the California Department of Housing and Community Development as a Gold Catalyst Community (i.e., a great example of how to build a sustainable, economically vibrant community). The design principles embedded in the Mission Bay Redevelopment Plan envision a transit-oriented neighborhood that promotes transit, bicycle, and pedestrian modes of transportation. The development of all of the Affordable Housing Parcels fulfills the planning objectives contained in the Mission Bay South Redevelopment Plan, the City’s General Plan and the Housing Element, all of which identify a need for permanently affordable housing.

Specifically, the Mission Bay Project concentrates 6,350 new residential units, 4.4 million square feet of office/bio-tech uses, 400,000 square feet of retail uses, a new 43-acre research campus, 550-bed hospital, and public uses, including a school, police/fire station, police headquarters, and 49-acres of new parkland in an area that is highly served by transit. Specifically, within Mission Bay there is a Caltrain station that provides rail service to the South Bay, two light rail lines, and multiple bus lines connecting to the rest of the City that will be further extended to the southern portion of Mission Bay once the roadways are completed. A private shuttle service is also provided by a Transportation Management Association and additional shuttle service is provided by the University of California, San Francisco to link their Mission Bay campus to their other locations within San Francisco.

History of Previous Development and Leasing Proposals

There have been no other development or leasing proposals put forward for the Park Parcels and the Affordable Housing Parcels.

Disposition of the Mission Bay Property

The Successor Agency has an enforceable obligation to ensure the Park Parcels are developed and maintained as a cohesive, financially self-sustaining park system and to use the funding from the Maintenance CFD for this purpose. Any amendments to this enforceable obligation (including the proposal below) will require the concurrence and written consent of the counterparty under the enforceable obligation (Developer). Such consent has not yet been sought or received, and there is no guarantee Developer will provide consent. Under the existing obligations, the City becomes responsible for managing the Park Parcels after 2043. In light of the Redevelopment Dissolution Law’s wind down of former redevelopment agency activities, the Successor Agency proposes a more expedited disposition plan whereby the Successor Agency would continue managing the Park Parcels until all the park improvements are complete and the Park Parcels can transfer to the City as a package of interlocking parks. The City, Developer, and Mission Bay community representatives have expressed a preference for this approach to ensure that the Park Parcels (1) remain together and continue to be managed as a single asset by
a single entity (i.e., either one City entity or a separate non-profit), (2) continue to be professionally managed under a competitive bidding process, and (3) continue to be managed in a way that allows for direct community involvement and oversight.

Accordingly, the PMP proposes the following:

- **Park Parcels** – Continue to lease the Completed Parks (Parks NP1-5, P1, P10, P16-18, and P21) under the Agency Lease and add Future Parks (Parks P2-3, P5-7, P8-9, P11, P11A, P12-13, P15, P19-20, P22-24, and P26-27) to the Agency Lease as they are developed into parks. The Successor Agency will ensure completion of all Future Parks and then terminate its leasehold interests and transfer the property management responsibility of all the Park Parcels to the City for a governmental purpose (i.e., a cohesive public park system). The Successor Agency will continue administering the Maintenance CFD, but will provide the City with the CFD funds to maintain the Park Parcels. The estimated transfer date is 2022.

- **Affordable Housing Parcels** – Acquire and retain the Affordable Housing Parcels (Blocks 3 East, 4 East, 6 East and West, 7 West, 9 and 9A, and 12 West) to fulfill the Successor Agency’s obligation under the OPAs to develop Affordable Housing Parcels. The Successor Agency intends to provide the affordable housing developer for each parcel with a ground lease to provide site access to construct the affordable housing, as well as apply long term affordability restrictions to the project. Upon completion of each specific development, transfer it to the City as Successor Housing Agency, as required under Redevelopment Dissolution Law. The estimated transfer dates are between 2015 and 2022.

The transfer dates above are estimates based on current market conditions and anticipated phasing of private development within Mission Bay. However, if there is a change in the economy outside the control of the Successor Agency the timing of the transfer of both the Park and Affordable Housing Parcels may change.

**Properties Dedicated to Governmental Use Purposes and Properties Retained for Purposes of Fulfilling an Enforceable Obligation**

See section above.

Attachment A: DOF Tracking Sheet for Mission Bay
Attachment B: Map of Mission Bay Property
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Attachment B – Map of Mission Bay Property