

**COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE**

RESOLUTION NO. 26-2015

**Adopted May 5, 2015**

**AUTHORIZING A GROUND LEASE WITH MISSION BAY BLOCK 7 HOUSING PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP, FOR THE CONSTRUCTION OF A 198 UNIT LOW-INCOME AFFORDABLE FAMILY RENTAL HOUSING (PLUS TWO MANAGER'S UNITS) DEVELOPMENT AT 588 MISSION BAY BOULEVARD NORTH (ALSO KNOWN AS MISSION BAY SOUTH BLOCK 7 WEST) AND ADOPTING FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA**

WHEREAS, In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 *et seq.* the "CRL"), the former San Francisco Redevelopment Agency (the "Agency") undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco; and,

WHEREAS, In accordance with the CRL, the City, acting through its Board of Supervisors, approved a Redevelopment Plan for the Mission Bay South Redevelopment Project Area (the "Project Area") by Ordinance No. 335-98 adopted on November 2, 1998. The Redevelopment Plan is referred to as the "Mission Bay South Redevelopment Plan." In cooperation with the City, the Agency was responsible for implementing the Mission Bay South Redevelopment Plan; and,

WHEREAS, The Mission Bay South Redevelopment Plan provides for the redevelopment, construction and revitalization of the area generally bounded by the China Basin Channel, Seventh and Mariposa Streets, and the San Francisco Bay and containing approximately 238 acres of land. The Mission Bay South Redevelopment Plan anticipates and describes a mixed-use development comprised of public open space, retail, commercial, entertainment uses, and parking and loading uses; and,

WHEREAS, The Mission Bay North and South Owner Participation Agreements (the "OPAs") between the Agency and FOCIL-MB, LLC (the "Master Developer") provides that the Master Developer will contribute land to the former Agency, at no cost, for the development of affordable housing and the Agency will oversee the development of one thousand eight hundred (1,800) affordable housing units in the Mission Bay North and South Project Areas; and,

WHEREAS, Pursuant to the State redevelopment dissolution law known as AB X1 26, which was subsequently amended under AB 1484 (together, the "Dissolution Law"), the former Agency was dissolved as of February 1, 2012; and,

WHEREAS, On October 2, 2012 the San Francisco Board of Supervisors, acting as legislative body of the Successor Agency, passed Ordinance 215-12, which outlined the rights and responsibilities of OCII as the Agency's successor agency, including but not limited to the retained existing enforceable obligations for the development of affordable housing required for the Project Area. Accordingly, under Ordinance 215-12 and Dissolution Law, OCII has the obligation and authority to provide the Funds for the Project; and,

WHEREAS, The University of California San Francisco ("UCSF") and the Agency entered into a Disposition and Development Agreement for Block 7 East in the Project Area, on October 18, 2005 (the "2005 DDA") to develop affordable housing with occupancy preferences for UCSF employees. The Agency and UCSF entered into a second Disposition and Development Agreement on March 18, 2010 to, among other things, develop affordable housing on Block 7 West (the "2010 DDA," and together with the 2005 DDA, the "DDA"). UCSF paid \$5 million in liquidated damages pursuant to the 2005 DDA on June 4, 2013, which terminated UCSF's rights to Block 7E; and,

WHEREAS, Mission Bay Block 7 Housing Partners, L.P., a California Limited Partnership, consisting of The Related Companies of California, LLC, a California limited liability company and Chinatown Community Development Center, a California nonprofit public benefit corporation (the "Partnership") wishes to ground lease Block 7 West, as modified by a lot line adjustment between Block 7 West and Block 7 East (the "Lot Line Adjustment") (the "Site"), and develop, own and operate an affordable housing project with approximately 198 residential units that shall be affordable on average up to 60% of Area Median Income (the "Residential Space") and 2 manager's units and approximately 10,000 square feet of retail space thereon (the "Commercial Space," and together with the Residential Space, the "Project"). In connection therewith: (i) the 2005 DDA has been terminated; (ii) the 2010 DDA has been assigned from UCSF to Borrower; (iii) UCSF has made a payment of \$2,400,000 to OCII in lieu of the liquidated damages payment required under the 2010 DDA; and (iv) the 2010 DDA has been amended and restated (the "Amended Housing Project DDA"); and,

WHEREAS, On June 18, 2013, the OCII Commission, pursuant to Resolution No. 30-2013, authorized a predevelopment loan with the Partnership; OCII and the Partnership then entered into a Tax Increment Loan Agreement of up to \$2,000,000 of Mission Bay Restricted Tax Increment funds (the "Predevelopment Loan Agreement") subject to certain terms and conditions. Subsequently, as approved by the OCII Commission pursuant to Resolution No. 63-2014, adopted on August 5, 2014, OCII and the Partnership entered into an Amended and Restated Tax Increment Loan Agreement, dated August 5, 2014, to increase the OCII loan to an amount not to exceed \$16,975,000 to pay for additional predevelopment costs and construction period activities (the "Gap Funding"); and,

WHEREAS, The Partnership is now requesting to enter into a seventy-five (75) year ground lease (with one twenty-four (24) year option) in connection with the development and operation of the Project (the "Ground Lease Agreement"); and,

WHEREAS, Upon completion of the Project, OCII intends to transfer the affordable housing loan obligation, asset, and ground lease to MOHCD as the designated Successor Housing Agency of the City and County of San Francisco under Board Resolution 11-12, as required by Dissolution Law; and,

WHEREAS, At the time OCII transfers OCII's interests to MOHCD, the Executive Director of OCII has authority to seek approval of the OCII Oversight Board; and

WHEREAS, The Ground Lease Agreement will provide for the leasing of the Site for the construction and operation of the Project, and staff has reviewed the Ground Lease Agreement and finds it to be within the scope of the project analyzed in the FSEIR (per the California Environmental Quality Act) and addenda and no additional environmental review is needed; and,

WHEREAS, A copy of the Ground Lease Agreement is on file with the Secretary of this Commission; now, therefore, be it

RESOLVED, The Office of Community Investment and Infrastructure authorizes the Executive Director to execute a Ground Lease Agreement, with Mission Bay Block 7 Housing Partners, LP, a California limited partnership (consisting of The Related Companies of California, LLC, a California limited liability company, and Chinatown Community Development Center, a California nonprofit public benefit corporation), substantially in the form of the agreement on file with the Secretary of the Commission and approved as to form by the City Attorney, for an initial term of seventy-five (75) years, with one twenty-four (24) year option, for the development of 198 low-income rental housing units (plus two manager's units) and ground floor commercial space at 588 Mission Bay Boulevard North (also known as Mission Bay South Block 7W), and upon completion of the Project to transfer the affordable housing loan obligation, asset and ground lease to MOHCD as the designated Successor Housing Agency of the City and County of San Francisco and furthermore to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction; Mission Bay South Redevelopment Project Area.

I hereby certify that the foregoing resolution was adopted by the Commission on Community Investment and Infrastructure at its meeting of May 5, 2015.

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Commission Secretary