

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 29 – 2016

*Adopted June 21, 2016*

**AUTHORIZING, AT A PUBLIC HEARING UNDER SECTION 33431 OF THE HEALTH AND SAFETY CODE, AN OWNER PARTICIPATION/ DISPOSITION AND DEVELOPMENT AGREEMENT WITH BLOCK 1 PROPERTY HOLDER, L.P., A DELAWARE LIMITED PARTNERSHIP, FOR THE DEVELOPMENT OF 391 FOR-SALE UNITS INCLUDING 156 UNITS AFFORDABLE TO LOW AND MODERATE INCOME HOUSEHOLDS AND GROUND FLOOR RETAIL AT TRANSBAY BLOCK 1 (160 FOLSOM STREET) THAT IS WITHIN THE SCOPE OF THE TRANSBAY REDEVELOPMENT PROJECT APPROVED UNDER A PROGRAM ENVIRONMENTAL IMPACT REPORT AND IS ADEQUATELY DESCRIBED IN THAT REPORT FOR PURPOSES OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; TRANSBAY REDEVELOPMENT PROJECT AREA**

WHEREAS, The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (commonly known as the Office of Community Investment and Infrastructure) (the “Successor Agency” or “OCII”) is completing the enforceable obligations of the Redevelopment Agency of the City and County of San Francisco (the “Former Agency”) in the Transbay Redevelopment Project Area (the “Project Area”) under the authority of the California Community Redevelopment Law, Cal. Health & Safety Code §§ 33000 et seq., as amended by the Redevelopment Dissolution Law, Cal. Health & Safety Code §§ 34170 et seq.; and,

WHEREAS, Under Assembly Bill No. 812 (Chapter 99, Statutes of 2003, codified at California Public Resources Code Section 5027.1) (“AB 812”), any redevelopment plan adopted to finance, in whole or in part, the demolition of the Transbay Terminal building and the construction of a new terminal (the “Transbay Transit Center” or “TTC”), including its associated vehicle ramps, shall ensure that at least 25 percent of all dwelling units developed within the Project Area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 60 percent of the area median income, and that at least an additional 10 percent of all dwelling units developed within the Project Area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 120 percent of the area median income (the “Transbay Affordable Housing Obligation”); and,

WHEREAS, The City and County of San Francisco (the “City”) approved, by Ordinance No. 124-05 and Ordinance No. 99-06 and amended by Ordinance No. 84-15, the Redevelopment Plan (the “Redevelopment Plan”) for the Transbay Redevelopment Project (the “Redevelopment Project”). The Redevelopment Plan provides for the redevelopment, rehabilitation, and revitalization of the Project Area, generally bounded by Mission, Main, Second, and Folsom Streets in downtown San Francisco, and containing approximately forty (40) acres of land. The Redevelopment Plan also provides for the financing of the new TTC and thus

triggered the Transbay Affordable Housing Obligation, which is explicitly incorporated into Section 4.9.2 of the Redevelopment Plan and into binding agreements; and,

WHEREAS, In 2003, the Transbay Joint Powers Authority (“TJPA”), the City, and the State of California (“State”), entered into a Cooperative Agreement, which sets forth the process for the transfer of certain State-owned parcels in the Project Area to the City and the TJPA; and,

WHEREAS, In furtherance of the Cooperative Agreement, the Redevelopment Plan and Redevelopment Project, the TJPA and the Former Agency entered into that certain Transbay Redevelopment Project Implementation Agreement, dated as of January 20, 2005 (the “Implementation Agreement”), which requires, among other things, the Former Agency to prepare and sell certain formerly State-owned parcels, construct and fund new infrastructure improvements (such as parks and streetscapes), and implement the Transbay Affordable Housing Obligation; and,

WHEREAS, In 2003, the Former Agency acquired Block 3740, Lot 027 (“OCII Parcel”), which is now a portion of Transbay Block 1, with Low- and Moderate-Income Housing Funds for the purpose of fulfilling the Transbay Affordable Housing Obligation; and,

WHEREAS, Pursuant to the Redevelopment Dissolution Law, all of the Former Redevelopment Agency’s assets (other than certain housing assets) and obligations were transferred to the Successor Agency; and,

WHEREAS, Redevelopment Dissolution Law authorizes successor agencies to enter into new agreements if they are “in compliance with an enforceable obligation that existed prior to June 28, 2011” (Cal. Health & Safety Code § 34177.5(a)). Under this limited authority, a successor agency may enter into contracts if a pre-existing enforceable obligation requires that action. On April 15, 2013, the California Department of Finance (“DOF”) determined “finally and conclusively” that AB 812 and the Implementation Agreement, along with other Transbay-related documents, are enforceable obligations that will not require additional DOF review in the future, although expenditures under the Implementation Agreement are subject to continuing DOF review; and,

WHEREAS, Redevelopment Dissolution Law requires successor agencies to prepare a long range property management plan (“PMP”) to dispose of any of its properties (Cal Health & Safety Code § 34191.5). The PMP 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 PMP 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. OCII’s PMP includes disposition plans for certain assets that OCII has retained to fulfill enforceable obligations, but that are proposed for transfer or sale. The OCII Parcel within Block 1 was included in

OCII's PMP with the plan to: "Retain until parcel can be aggregated with adjacent private parcels, sell at market value to adjacent property owner, and use proceeds for, or require on-site development of, affordable housing." The PMP was approved by Oversight Board Resolution Nos. 12-2013 (adopted November 25, 2013) and 14-2015 (adopted November 23, 2015), and finally approved by DOF in late 2015; and,

WHEREAS, Transbay Block 1 is a 54,098 square-foot site located on Folsom Street between Main and Spear Streets, two blocks south and two blocks east of the future TTC. It is comprised of five separate legal parcels: Assessor's Block 3740, Lots 027, 029, 030, 031 and 032. The OCII Parcel (Lot 027) consists of 34,133 square feet. The remaining parcels are privately owned by Block One Property Holder L.P. ("Developer"), an affiliate of Tishman Speyer, and consist of 19,965 square feet ("Private Parcels"); and,

WHEREAS, The owners of private property in the Project Area may participate in the redevelopment of their property under the Rules Governing Participation by Property Owners, adopted by Redevelopment Agency Resolution No. 17-2005 (Jan. 25, 2005) (the "Owner Participation Rules"). The Owner Participation Rules require that the owners of private property agree to conform to the Redevelopment Plan and provide that certain individual parcels should be aggregated to create efficient and marketable parcels to accomplish the purposes of, and conform to, the Redevelopment Plan; and,

WHEREAS, In conformance with the Redevelopment Plan and the Owner Participation Rules, the Development Controls and Design Guidelines for the Transbay Redevelopment Project ("Development Controls") require that the OCII Parcel be aggregated with the Private Parcel for suitable development on Block 1. To that end, the Developer approached OCII about a possible purchase of the OCII Parcel. The Community Redevelopment Law authorizes the sale of public property without public bidding after certain notice and public hearing requirements are satisfied (Cal Health & Safety Code § 33431); and,

WHEREAS, On November 18, 2014, the Commission on Community Investment and Infrastructure, commonly known as the OCII Commission ("Commission"), authorized an Exclusive Negotiations Agreement ("ENA") with the Developer for (a) the sale to the Developer of the OCII Parcel and (b) the development of a combined affordable and market rate homeownership project consisting of a residential tower, two residential podium buildings, and townhouses surrounding open space on Block 1. The ENA contemplated two project alternatives: one with a tower height of 300 feet, as allowed under the Redevelopment Plan, and a second with a tower height of 400 feet, that would require an amendment to the Redevelopment Plan ("Plan Amendment"); and,

WHEREAS, The ENA included a purchase price of \$19,180,000 for the 400-foot tower height alternative, and (a) 399 residential units (258 market-rate units, 65 inclusionary affordable units, and 76 affordable units with funding to be provided by OCII); (b) ground floor retail space of approximately 9,600 square feet; (c) streetscape improvements, including the extension of Clementina Street from Main to Spear

Streets, and Folsom, Main, and Spear Street improvements; (d) approximately 6,400 square feet of open space; and (e) three levels of underground parking with up to 342 stalls.. The inclusionary and affordable units were to be available to households earning no more than 100% of Area Median Income (“AMI”). The ENA contemplated a close of escrow in November, 2015; and,

WHEREAS, In accordance with those provisions of the Community Redevelopment Law, as amended by Redevelopment Dissolution Law, that authorize an amendment to a redevelopment plan, Cal. Health & Safety Code §§ 33450 *et seq.*, the Commission approved the Plan Amendment, by Resolution No. 1-2016 (January 19, 2016). On February 25, 2016, the City’s Planning Commission determined by Motion No. 19573 that the Plan Amendment conforms to the San Francisco General Plan. On April 26, 2016, the Board of Supervisors adopted Ordinance No. 062-16 approving the Plan Amendment. On April 28, 2016, the Mayor signed the legislation amending the Redevelopment Plan, which becomes effective 90 days after that date; and,

WHEREAS, On June 21, 2016, by Resolution No. \_\_\_-2016, the Commission approved an amendment to the Development Controls, consistent with the Plan Amendment, to increase the maximum height of the Block 1 tower from 300 feet to 400 feet; and,

WHEREAS, Based on the ENA, OCII staff negotiated the terms of an Owner Participation/Disposition and Development Agreement (“OP/DDA”) with the Developer, for the sale of the OCII Parcel and development of Block 1. The OP/DDA provides for a purchase price of \$19,180,000 and authorizes development of (a) 391 residential units (235 market-rate units and 80 inclusionary affordable units in a 400-foot tower, 29 affordable units in a six-story podium building located west of the tower, and 47 affordable units in an eight-story podium building located adjacent to the west side of the six-story podium); (b) ground floor retail space of approximately 10,210 square feet; (c) streetscape improvements, including the extension of Clementina Street from Main to Spear Streets, and Spear, Folsom, and Main Street improvements; (d) 6,898 square feet of shared open space; and (e) three levels of underground parking with up to 340 stalls (collectively, the “Project”). The inclusionary and affordable units are to be available to households earning between 80%-120% of AMI. The OP/DDA contemplates a close of escrow in February, 2017; and,

WHEREAS, Section 5.9 of the Redevelopment Plan requires that all new developments within the Project Area shall be subject to exactions added to the Planning Code subsequent to adoption of the Redevelopment Plan provided that the exactions confer direct benefits to the Project Area. Since the adoption of the Redevelopment Plan, two residential impact fees have been adopted and incorporated into the Planning Code as follows:

**Transportation Sustainability Fee (Planning Code Section 411.A).** New residential developments in the downtown area are required to pay a Transportation Sustainability Fee (“TSF”) of \$7.74 per gross square foot of residential uses for the first 99 units, and \$8.74 per gross square foot above 99

units. The TSF applies to the Block 1 buildings not subsidized by OCII which includes the tower and townhomes. Also, per Section 411.A, the Developer is required to pay only 50% of the fee amount if a development application was submitted for the project prior to July 21, 2015, which is the case for Block 1. The purpose of the TSF is to meet the demand for transit maintenance, facilities and fleet, pedestrian and bicycle infrastructure for the city resulting from new development, which is particularly important to the Project Area where numerous transit lines converge. The Developer will pay the fee (approximately \$1,998,899) at the time of issuance of the first construction document. In addition, pursuant to Section 411.A.3.(d).(2).(B), the Block 1 Project is subject to the TSF on the 10,210 square feet of retail space the Developer proposes to construct. New developments in Transbay Zone One not-yet-entitled but with development applications submitted prior to July 21, 2015, while subject to the TSF, are required to pay the applicable Transportation Impact Development Fee (“TIDF”) of \$15.32 per gross square foot of non-residential uses. The Developer will pay the TIDF (approximately \$156,417) at the time of issuance of the first construction document.

**Residential Childcare Impact Fee (Planning Code Section 414.A).** Under Section 414.A, residential development projects of 10 or more units are currently required to pay, at the time of the City’s issuance of a First Construction Document, a childcare impact fee of \$1.83 per gross square foot of residential uses. A project may also be eligible for a fee credit for on-site childcare facilities and/or providing on-site small family daycare homes. Waivers of this fee under Section 406 of the Planning Code allow for the fee to be waived for OCII subsidized projects if the units are sold to households earning 80% or less than AMI and contain affordability restrictions of 55 years or more. There are 25 units within the OCII Affordable Project that meet all of these requirements and the Residential Childcare Impact Fee shall be waived for these units. Based on the current fee schedule, which is subject to change, the Developer will pay a fee of approximately \$959,586 to the city’s Childcare Facilities Fund prior to issuance of the first construction document.

OCII staff will work with the City departments responsible for administering the Transportation Sustainability Fee and Childcare Impact Fee to ensure that these exactions directly benefit the Project Area; and,

WHEREAS, The Block 1 OP/DDA contemplates a sale without public bidding of Block 1 to the Developer for the following reasons: (1) the Project, as an integrated development, will have a greater value than if the individual components were developed separately; (2) the Project satisfies the requirement of the Development Controls that the Private Parcel and the OCII Parcel be assembled; (3) development of the OCII Parcel as a stand-alone project would pose significant design and financial difficulties; and (4) the Project allows the Developer, as the owner of the adjacent Private Parcels, to redevelop its property into a substantially better project; and,

WHEREAS, As a sale without public bidding, OCII has complied with the procedural requirements for notice and public hearing required by Section 33431 of the

Health and Safety Code. OCII published notice of the public hearing once a week for two weeks in the San Francisco Chronicle; and,

WHEREAS, On April 22, 2004, the Commission of the Former Redevelopment Agency of the City and County of San Francisco (“Former Agency Commission”) adopted Resolution No. 45-2004, certifying the Final Environmental Impact Statement/Environmental Impact Report (the “FEIS/EIR”) for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project, which included the Redevelopment Plan. On January 25, 2005 the Former Agency Commission adopted Resolution No. 11-2005, adopting findings under the California Environmental Quality Act (“CEQA”), a Statement of Overriding Considerations and a Mitigation Monitoring and Reporting Program in connection with the adoption of the Redevelopment Plan. The Board of Supervisors and the City Planning Commission adopted similar findings; and,

WHEREAS, The FEIS/EIR includes by reference a number of addenda. A total of eight addenda to the FEIS/EIR were adopted between June 2, 2006 and January 19, 2016; and,

WHEREAS, OCII, as the lead agency, prepared, in consultation with the San Francisco Planning Department, an eighth addendum to the FEIS/EIR dated January 14, 2016 (“Eighth Addendum”), to evaluate the Project and the increase in the maximum height limit for Block 1 allowed by the Plan Amendment. The Eighth Addendum assessed whether the Project is within the scope of the FEIS/EIR and whether additional environmental review would be required; and,

WHEREAS, The FEIS/EIR is a program environmental impact report (“EIR”) under CEQA Guidelines Section 15168 and a redevelopment plan EIR under CEQA Guidelines Section 15180. The FEIS/EIR is also a project EIR under CEQA Guidelines Section 15161 for certain structures and facilities. The FEIS/EIR expressly contemplated the development of residential and retail uses within the Project Area, including up to 581 residential units and 34,900 square feet of retail uses on Block 1 of Zone One; and,

WHEREAS, The only substantive modification to the Block 1 site resulting from the Project that was not previously studied in the FEIS/EIR was the proposed tower height limit change from 300 feet to 400 feet. Therefore, the only CEQA topics requiring additional evaluation in the Eighth Addendum were those for which impacts could worsen due to additional building height. These topics included wind and shadow. All other features of the Project, including demolition, land use types, building square footage, retail square footage, and number of dwelling units, were found to be consistent with the Redevelopment Plan and the FEIS/EIR; and,

WHEREAS, OCII staff has reviewed the OP/DDA for the Project and finds that the proposed actions to approve the Project are Implementing Actions within the scope of the Redevelopment Project analyzed in the FEIS/EIR and subsequent addenda and that therefore no additional environmental review is required pursuant to California Public Resources Code Section 21166 and Sections 15162, 15163, 15168, and 15180 of the CEQA Guidelines; and,

WHEREAS, OCII staff, in making the necessary findings for the Implementing Actions contemplated herein, considered and reviewed the FEIS/EIR and addenda, has made documents related to the Implementing Actions, the FEIS/EIR, and addenda available for review by the Commission and the public, and these files are part of the record before the Commission; and,

WHEREAS, The FEIS/EIR findings and statement of overriding considerations adopted in accordance with CEQA by the Former Agency Commission by Resolution No. 11-2005 dated January 25, 2005 were and remain adequate, accurate and objective and are incorporated herein by reference as applicable to the Implementing Actions; now therefore, be it

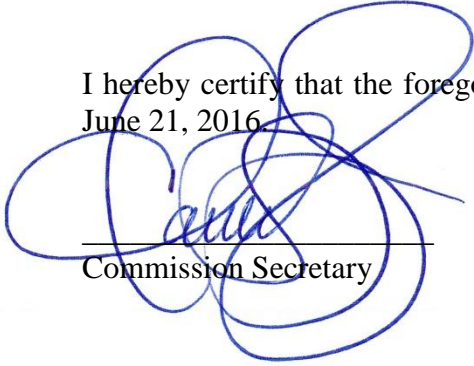
RESOLVED, The Commission finds and determines that the approval of the OP/DDA is an Implementing Action within the scope of the Redevelopment Project analyzed in the FEIS/EIR and addenda and requires no additional environmental review pursuant to California Public Resources Code Section 21166 and State CEQA Guidelines Sections 15180, 15168, 15162 and 15163 for the following reasons:

1. The Implementing Actions are within the scope of the Redevelopment Project analyzed in the FEIS/EIR and addenda and no major revisions are required due to the involvement of new significant environmental effects or a substantial increase in the severity of significant effects previously identified in the FEIS/EIR;
2. No substantial changes have occurred with respect to the circumstances under which the Redevelopment Project analyzed in the FEIS/EIR and addenda was undertaken that would require major revisions to the FEIS/EIR due to the involvement of new significant environmental effects, or a substantial increase in the severity of effects identified in the FEIS/EIR; and,
3. No new information of substantial importance to the Redevelopment Project analyzed in the FEIS/EIR and addenda has become available which would indicate that (a) the Implementing Actions will have significant effects not discussed in the FEIS/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 FEIS/EIR will substantially reduce one or more significant effects on the environment, and, be it further

RESOLVED, The Commission hereby authorizes the Executive Director, subject to the effectiveness of the Plan Amendment and approval of the sale by the Board of Supervisors of the City and County of San Francisco for the purpose of compliance with Section 33433 of the California Health and Safety Code, to (i) execute the OP/DDA with Block One Property Holder, L.P., a Delaware Limited Partnership, substantially in the form approved by the Successor Agency's General Counsel and attached to the Commission Memorandum accompanying this Resolution, and (ii) to enter into any and all ancillary documents or take any

additional actions necessary to consummate the transaction with respect to the Project as described in the OP/DDA and this Resolution.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of June 21, 2016.

A large, complex handwritten signature in blue ink, consisting of multiple overlapping loops and flourishes, positioned over the signature line.

\_\_\_\_\_  
Commission Secretary