

**COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE**

**RESOLUTION NO. 47-2017**

*Adopted November 7, 2017*

**AUTHORIZING A GROUND LEASE AGREEMENT AND AN AMENDED AND RESTATED LOAN AGREEMENT, FOR AN AGGREGATE NOT TO EXCEED \$20,593,600, BOTH WITH MB3E, L.P., A CALIFORNIA LIMITED PARTNERSHIP, AN AFFILIATE OF CHINATOWN COMMUNITY DEVELOPMENT CENTER, AND SWORDS TO PLOWSHARES, FOR THE DEVELOPMENT OF 119 RENTAL UNITS (INCLUDING ONE MANAGER’S UNIT) SERVING FORMERLY HOMELESS VETERANS AND LOW-INCOME FAMILIES AT MISSION BAY SOUTH BLOCK 3 EAST (1150 3RD STREET), A PROJECT WITHIN THE SCOPE OF THE MISSION BAY FINAL SUBSEQUENT ENVIRONMENTAL IMPACT REPORT (“FSEIR”), A PROGRAM EIR, AND IS ADEQUATELY DESCRIBED IN THE FSEIR FOR THE PURPOSES OF 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 “Former Agency”) undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco (“the “City”); 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 Former 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, residential, entertainment, and parking and loading uses; and,

WHEREAS, To implement the Mission Bay South Redevelopment Plan, the Former Agency approved, by Resolution No. 193-98 (Sep. 17, 1998), the Mission Bay South Owner Participation Agreement between the Former Agency and Catellus Development Corporation, a Delaware corporation (the “Master Developer” or “Owner”). The Mission Bay South Owner Participation Agreement, as most recently amended by Resolution No. 30-2014 (adopted April 29, 2014), is referred to as the “South OPA.” The South OPA establishes, among other things, contractual rights authorizing the Owner to build a certain amount of development, and requiring the

Owner to construct public infrastructure and contribute land for a campus of the University of California at San Francisco and for Agency affordable housing; and obligating the Former Agency to reimburse Owner for certain infrastructure costs, and to develop affordable housing on the contributed land; and,

WHEREAS, Under the South OPA, the Owner must transfer, at no cost, approximately 12.3 acres of "building-ready" land that has been remediated, graded, and served by infrastructure, for development of affordable housing, and the Former Agency is required to build approximately 1,108 Agency affordable housing units on these sites; and,

WHEREAS, The Former Agency and Owner selected, throughout the Project Area, affordable housing lots that were contributed to the Former Agency and that are identified in Exhibit F (Approved Sites) to the Mission Bay South Housing Program (Attachment C to the South OPA), as amended by the First Amendment to the South OPA, February 17, 2004). One of these sites is an approximately 1.08-acre lot identified as Block 8711, Lot 26, Block 3 Parcel E ("Block 3 East") in a Memorandum of Option (recorded in 2007), which grants the Former Agency the option to acquire the site for purposes of fulfilling the South OPA affordable housing obligations; and,

WHEREAS, On November 1, 2005, the Former Agency approved, by Resolution No. 178-2005, the Major Phase Application for Blocks 2-7 and 13 (the "Major Phase"), which included Block 3 East in the Project Area. Since its initial approval, the Major Phase has been amended four times: Redevelopment Agency Resolution Nos. 101-2007 (September 18, 2007 and 77-2011 (June 7, 2011); Oversight Board Resolution No. 7-2012 (June 11, 2012); and Commission on Community Investment and Infrastructure Resolution No. 6-2014 (January 21, 2014); and,

WHEREAS, On February 1, 2012, state law dissolved redevelopment agencies and authorized the creation of successor agencies to undertake, among other things, the enforceable obligations of the former redevelopment agencies. California Health and Safety Code Sections 34170 et seq. (the "Redevelopment Dissolution Law"); and,

WHEREAS, On October 2, 2012, pursuant to Ordinance No. 215-12, the Board of Supervisors of the City and County of San Francisco, acting as the legislative body of the Successor Agency, delegated the rights and responsibilities under the Redevelopment Dissolution Law to the Successor Agency of the City and County of San Francisco (commonly known as the Office of Community Investment and Infrastructure or "OCII"). These responsibilities include, but are not limited to, the retained existing enforceable obligations for the development of affordable housing required for the Project Area. This delegation also includes the obligation under Redevelopment Dissolution Law to expeditiously wind down the Former Agency's projects; and,

WHEREAS, On January 24, 2014, the California Department of Finance ("DOF") finally and conclusively determined that the OPA, the Mission Bay South Tax Increment Allocation Pledge Agreement, and the Mission Bay South Allocation Pledge

Agreement Housing are enforceable obligations that survived the dissolution of the San Francisco Redevelopment Agency and require OCII to complete the development authorized under the South Plan, South OPA, and related South Plan Documents. Letter, J. Howard, DOF Assistant Program Budget Manager, to T. Bohee, Executive Director (Jan. 24, 2014); and,

WHEREAS, On April 24, 2015, OCII issued a Housing Development Request for Proposals (the “RFP”) for the development and management of up to 101 rental units serving formerly homeless veterans and low-income families at 1150 3<sup>rd</sup> Street (the “Site”). OCII staff made extensive outreach efforts to attract submittals from qualified developers by the June 24, 2015 deadline. The RFP set forth specific submission requirements and established that OCII would seek to enter into an exclusive negotiations agreement for development rights on the Site; and,

WHEREAS, OCII staff received three submittals, all of which met the minimum threshold requirements defined in the RFP. After a thorough review of the submittals, interviews with an interdisciplinary evaluation panel, and a presentation to the Mission Bay Citizens Advisory Committee, the evaluation panel unanimously recommended the development team led by Chinatown Community Development Center, Swords to Plowshares (together, Chinatown Community Development Center and Swords to Plowshares comprise the “Sponsors”), and Leddy Maytum Stacy Architects to develop the Site; and,

WHEREAS, To achieve improved economies of scale and financial feasibility, as well as an increased total unit count at the Site, the Sponsors requested and OCII staff approved the addition of up to 18 affordable units. Thus, the Sponsors intend to construct a Project comprised of 119 units of affordable housing (including one unrestricted manager’s unit) for formerly homeless veterans and low-income families, community and services spaces, and parking in an enclosed podium garage (the “Project”). The Project breakdown by unit type is: 12 studios, 55 one-bedroom units, 31 two-bedroom units and 21 three-bedroom units; and,

WHEREAS, The Sponsors have formed a wholly controlled affiliate, MB3E, L.P. (the “Developer”) to develop the Project; and,

WHEREAS, On December 18, 2015, the Citywide Affordable Housing Loan Committee (the “Loan Committee”) recommended that OCII provide the Developer with a predevelopment loan of sf.citi and Hamilton Family Foundation donation funding (the “Predevelopment Funds”) in an amount not to exceed \$2,500,000, subject to certain terms and conditions (the “Predevelopment Loan”); and,

WHEREAS, For purposes of implementation and to ensure consistency with the City’s overall affordable housing goals and priorities, OCII has engaged the Mayor’s Office of Housing and Community Development (“MOHCD”) to provide additional services, construction monitoring and design review, and review and processing of loan disbursements. Upon completion of the Project, OCII intends and is obligated 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, Pursuant to Resolution No. 9-2016, adopted by the OCII Commission on February 16, 2016, OCII entered into a predevelopment loan agreement and promissory note (the “Predevelopment Loan Documents”), to provide funding in an amount not to exceed \$2,500,000 for predevelopment work associated with the construction of the project, and an exclusive negotiations agreement (the “ENA”) which included an initial term until July 24, 2017 (with a potential for two – six month extensions); and a Schedule of Performance. The ENA was intended to lead to a long-term ground lease; and,

WHEREAS, On October 18, 2016, the OCII Commission adopted Resolution No. 48-2016, conditionally approving a Basic Concept/Schematic Design for the Project and adopting environmental review findings pursuant to the California Environmental Quality Act and; and,

WHEREAS, Pursuant to Resolution No. 49-2016, adopted by the OCII Commission on October 18, 2016, OCII entered into an Option to Ground Lease Agreement which allowed the Developer to demonstrate site control to the California Debit Limit Allocation Committee (“CDLAC”) and the Tax Credit Allocation (“TCAC”); and,

WHEREAS, The Developer 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, On June 23, 2017, the Citywide Affordable Housing Loan Committee approved an additional \$18,093,600 financing request, for a total of up to \$20,593,600 in OCII funding (the “Funds”). The Funds are therefore comprised of the \$2,500,000 in Predevelopment Funds, and \$18,093,600 for construction period activities (the “Gap Funding”); and,

WHEREAS, The Sponsors are now requesting to enter into an Amended and Restated Loan Agreement (“Loan Agreement”) in the amount of \$20,593,600 for the development of the Project; and,

WHEREAS, On September 17, 1998, the Former Agency Commission adopted Resolution No. 182-98 which certified the Final Subsequent Environmental Impact Report (“FSEIR”) for Mission Bay North and South pursuant to the California Environmental Quality Act (“CEQA”) and State CEQA Guidelines Sections 15168 (Program EIR) and 15180 (Redevelopment Plan EIR). On the same date, the Former Agency Commission also adopted Resolution No. 183-98, which adopted environmental findings (and a statement of overriding considerations), in connection with the approval of the Plan and other Mission Bay project approvals (the “Mission Bay Project”). The San Francisco Planning Commission (“Planning Commission”) certified the FSEIR by Resolution No. 14696 on the same date. On October 19, 1998, the Board of Supervisors adopted Motion No. 98-132 affirming certification of the FSEIR by the Planning Commission and the Former Agency,

and Resolution No. 854-98 adopting environmental findings and a statement of overriding considerations for the Mission Bay Project; and,

WHEREAS, Subsequent to certification of the FSEIR, the Former Agency issued several addenda to the FSEIR (the “Addenda”). The Addenda do not identify any substantial new information or new significant impacts or a substantial increase in the severity of previously identified significant effects that alter the conclusions reached in the FSEIR; and,

WHEREAS, The FSEIR is a program EIR under CEQA Guidelines Section 15168 and a redevelopment plan EIR under CEQA Guidelines Section 15180. Authorizing a Ground Lease and a Loan Agreement for the purpose of developing the Project are undertakings pursuant to and in furtherance of the Plan in conformance with CEQA Section 15180 (“Implementing Actions”); and,

WHEREAS, Prior approvals that have proceeded the currently proposed Implementing Actions, (including without limitation the development authorizations in the South OPA), have limited the remaining discretion available to the Commission, the Executive Director, and the City related to the Implementing Actions; and,

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

WHEREAS, The FSEIR findings and statement of overriding considerations adopted in accordance with CEQA by the Redevelopment Agency Commission by Resolution No. 183-98 dated September 17, 1998, reflected the independent judgment and analysis of the Redevelopment Agency, were and remain adequate, accurate and objective and were prepared and adopted following the procedures required by CEQA, and the findings in said resolutions are incorporated herein by reference as applicable to the Implementing Actions; now, therefore be it,

RESOLVED, The Commission has reviewed and considered the FSEIR and Addenda, and hereby adopts the CEQA findings set forth in Resolutions No. 182-98 and No. 183-98 and hereby incorporates such findings by reference as though fully set forth in this Resolution; and be it further

RESOLVED, The Commission finds and determines that the Ground Lease and Loan Agreement are Implementing Actions within the scope of the Mission Bay Project analyzed in the FSEIR and require no further environmental review beyond the FSEIR pursuant to the State CEQA Guidelines Section 15180, 15162 and 15163 for the following reasons:

- (1) The Implementing Actions are consistent with the project analyzed in the FSEIR and do not require major revisions to the FSEIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant impacts; and,

- (2) No substantial changes have occurred with respect to the circumstances under which the "Mission Bay Project" analyzed in the FSEIR will be undertaken that would require major revisions to the FSEIR due to the involvement of new significant environmental effects, or a substantial increase in the severity of effects identified in the FSEIR; and,
- (3) No new information of substantial importance relating to the development of affordable housing on Block 3 East has become available, which would indicate that (i) the Block 3 East Project will have significant effects not discussed in the FSEIR; (ii) significant environmental effects will be substantially more severe; (iii) mitigation measures or alternatives found not feasible, which would reduce one or more significant effects, have become feasible; or (iv) mitigation measures or alternatives, which are considerably different from those in the FSEIR, will substantially reduce one or more significant effects on the environment that would change the conclusions set forth in the FSEIR; and, be it further

RESOLVED, The Commission has reviewed and considered the FSEIR and Addenda, and hereby adopts the CEQA findings set forth in Resolutions No. 182-98 and No. 183-98 and hereby incorporates such findings by reference as though fully set forth in this Resolution; and be it further

RESOLVED, The Commission authorizes the Executive Director to: (i) enter into the Ground Lease, with a wholly controlled affiliate of the Developer, MB3E, L.P., a California limited partnership, substantially in the form of the document approved by legal counsel for OCII on file with the Commission Secretary, for an initial term of seventy-five (75) years, with one twenty-four (24) year option, for the development of the Project; (ii) enter into a Loan Agreement with the Partnership, substantially in the form of the document approved by legal counsel for OCII on file with the Commission Secretary, for the development of the Project; and (iii) to enter into any and all ancillary documents or to take any additional actions necessary to consummate the transaction contemplated by this Resolution.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of November 7, 2017.

  
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Commission Secretary