

**COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE**

**RESOLUTION NO. 15–2023**

*Adopted May 2, 2023*

**AUTHORIZING THE COMMITMENT OF PERMANENT GAP LOAN FUNDS IN AN AMOUNT OF \$46,260,000 TO TRANSBAY 2 SENIOR LP, A CALIFORNIA LIMITED PARTNERSHIP, FOR THE DEVELOPMENT OF 151 AFFORDABLE SENIOR RENTAL HOUSING UNITS (INCLUDING ONE MANAGER’S UNIT) AT TRANSBAY BLOCK 2 WEST; PROVIDING NOTICE THAT THIS ACTION IS WITHIN THE SCOPE OF THE TRANSBAY REDEVELOPMENT PROJECT APPROVED UNDER THE TRANSBAY TERMINAL/CALTRAIN DOWNTOWN EXTENSION/REDEVELOPMENT PROJECT FINAL ENVIRONMENTAL IMPACT STATEMENT/ENVIRONMENTAL IMPACT REPORT (“FINAL EIS/EIR”), A PROGRAM EIR, AND IS ADEQUATELY DESCRIBED THEREIN FOR PURPOSES OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (“CEQA”); AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO CEQA; TRANSBAY REDEVELOPMENT PROJECT AREA**

WHEREAS, In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 et seq. the “Community Redevelopment Law”), the Redevelopment Agency of the City and County of San Francisco (“Former Agency”) undertook programs for the redevelopment of blighted areas in the City and County of San Francisco (“City”), including the Transbay Redevelopment Project Area (“Project Area”); and,

WHEREAS, The Board of Supervisors of the City and County of San Francisco (“Board of Supervisors”) approved the Redevelopment Plan for the Transbay Redevelopment Project Area by Ordinance No. 124-05 (June 21, 2005) and by Ordinance No. 99-06 (May 9, 2006), as amended by Ordinance No. 84-15 (June 18, 2015), Ordinance No. 62-16 (April 28, 2016) and Ordinance No. 009-23 (January 24, 2023) (“Redevelopment Plan”); and,

WHEREAS, The Redevelopment Plan establishes the land use controls for the Project Area and divides the Project Area into two subareas: Zone One, in which the Redevelopment Plan and the Development Controls and Design Guidelines for the Transbay Redevelopment Project (“Development Controls”) define and regulate land uses, and Zone Two, in which the Planning Code applies. Zone One is intended to be developed with predominantly residential uses. The Successor Agency to the Former Redevelopment Agency of the City and County of San Francisco (“Successor Agency”), commonly known as the Office of Community Investment and Infrastructure (“OCII”), solely administers and enforces land use entitlements for property and projects in Zone One; and,

WHEREAS, In 2003, the Transbay Joint Powers Authority (“TJPA”), the City and County of San Francisco (“City”), and the State of California (“State”) entered into a Cooperative Agreement setting forth the process for the transfer of certain State-owned parcels in the Project Area to the City and TJPA. Also in 2003, the California Legislature enacted Assembly Bill No. 812 (Statute 2003, chapter 99), codified at Cal. Public Resources Code § 5027.1, which requires that thirty-five percent (35%)

of new housing developed in the Project Area shall be affordable to low- and moderate-income households (the “Transbay Affordable Housing Obligation”). In 2005, the TJPA and Former Agency entered into the Transbay Redevelopment Project Implementation Agreement (“Implementation Agreement”) which incorporates the Transbay Affordable Housing Obligation and requires Successor Agency to prepare and sell certain formerly State-owned parcels and to construct and fund new infrastructure improvements (such as parks and streetscapes) and to meet affordable housing obligations; and,

WHEREAS, On February 1, 2012, the State of California dissolved all redevelopment agencies including the Former Agency, by operation of law pursuant to California Health and Safety Code Section 34170 et seq. (“Redevelopment Dissolution Law”). Under the authority of Redevelopment Dissolution Law and San Francisco Ordinance No. 215-12 (October 4, 2012) (establishing the Successor Agency Commission (“Commission”) and delegating to it state authority under Redevelopment Dissolution Law)), the Successor Agency is administering the enforceable obligations of the Former Agency. The Redevelopment Plan, Development Controls, and other relevant Project Area documents remain in effect and the Successor Agency retains all affordable housing obligations in the Project Area; 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). On April 15, 2013, the California Department of Finance (“DOF”) finally and conclusively determined that the Implementation Agreement and its incorporation of the Transbay Affordable Housing Obligation are continuing enforceable obligations of the Successor Agency under Redevelopment Dissolution Law. DOF confirmed that “any sale, transfer, or conveyance of property related to [the Transbay Final and Conclusive Determination] is authorized.” Email from Justyn Howard, Assistant Program Budget Manager, DOF, to Tiffany Bohee, Executive Director, Successor Agency (September 10, 2013, 09:17am); and,

WHEREAS, Transbay Block 2, Assessor’s Block 3739 Lot 014, is located within Zone One (“Block 2”). Block 2 comprises an approximately 42,627 square foot parcel located at 200 Folsom Street, bounded by Folsom, Main, and Beale Streets and extending approximately 155 feet northwest from Folsom Street (the “Site”); and,

WHEREAS, On June 22, 2020, OCII issued a Housing Development Request for Proposals seeking a team to develop, own, and operate mixed-use affordable rental family and senior housing, including units set-aside for formerly homeless family and senior households at Blocks 2. An evaluation panel comprised of OCII staff, City staff, and a member of the Transbay Citizens Advisory Committee recommended the proposal from the team led by Mercy Housing California (“Mercy”) and Chinatown Community Development Center (“CCDC”) to develop the Site. The proposal stated that Mercy and CCDC would enter into a joint venture to develop Block 2. Mercy would develop, own, and operate a mixed-use rental housing project serving low-income families and formerly homeless families on the eastern half of the Site (the “Family Project”), while CCDC would develop, own, and operate a mixed-use housing project serving low-income seniors and formerly homeless seniors on the western half of the Site (the “Project”). In addition,

Mercy’s role would include overall site coordination, and the initial lease-up and ongoing management of commercial spaces in both the Family Project and the Project; and,

WHEREAS, By Resolution No. 09-2021 (April 6, 2021), the Commission authorized the Executive Director to enter into an Exclusive Negotiations Agreement (“ENA”) with affiliates of Mercy and CCDC to undertake predevelopment activities on the Site with the expectation that the ENA would lead to long-term ground leases with the respective parties and the construction of improvements; and,

WHEREAS, By Resolution No. 11-2021 (April 6, 2021), the Commission approved a predevelopment loan to Transbay 2 Senior LP, an affiliate of CCDC (the “Developer”), in an amount of \$3,500,000 to fund predevelopment activities for the Project (“Original Loan”); and,

WHEREAS, By Resolution No. 44-2022 (November 1, 2022), the Commission approved the Schematic Design Document for the Project, along with related approval actions including adopting environmental review findings pursuant to CEQA. The approved Project will provide 151 rental housing units (150 affordable units and one unrestricted manager’s unit) that will serve low-income senior households and formerly homeless seniors, resident-serving amenities, and commercial space; and,

WHEREAS, By Resolution No. 03-2022 (January 24, 2022), the Successor Agency Oversight Board approved an expenditure for funding in an amount of up to \$46,260,000 for affordable housing at Block 2 West, through Item No. 413 of the Recognized Obligation Payment Schedule (“ROPS”) for the period of July 1, 2022 through June 30, 2023 (“FY 22-23”). DOF provided final approval of the expenditure through its letter dated April 15, 2022; and,

WHEREAS, By Resolution No. 02-2023 (January 25, 2023), the Successor Agency Oversight Board approved an expenditure for funding in an amount of up to \$65,011,065 for affordable housing on Block 2 West, through Item No. 413 of the Recognized Obligation Payment Schedule (“ROPS”) for the period of July 1, 2023 through June 30, 2024. DOF provided final approval of the expenditure through its letter dated April 14, 2023; and,

WHEREAS, While the expenditure for the Project is approved in the ROPS, funds for the difference between the amount allocated to the Project in the FY 22-23 ROPS and the FY 23-24 ROPS will not be available for commitment to the Developer or disbursement until OCII completes issuance of a new money tax allocation bond. The bond issuance was authorized by the Commission by Resolution No. 02-2023 (March 21, 2023) and by the Oversight Board by Resolution No. 03-2023 (April 7, 2023). OCII expects to close on the bond sale in July 2023; and,

WHEREAS, The Developer now requests, and OCII staff recommends, that the Commission authorize the commitment of permanent gap funding for the residential portion of the Project in an amount of \$46,260,000, consistent with the amount of the FY 22-23 ROPS and with the amount of funds current in hand and available for commitment and disbursement, subject to the subsequent approval of an amended and restated loan agreement substantially in the form standard to typical OCII permanent gap loans; and,

WHEREAS, The requested commitment is necessary to demonstrate that the Developer has secured local funds for purposes of its May 2023 application for Federal Low Income Housing Tax Credits and a tax-exempt bond allocation, a critical financing source for the Project. The Developer will seek future Commission authorization of an amended and restated loan agreement for the residential Project and a ground lease for the residential portion of the Project, along with a separate commercial loan agreement and commercial ground lease, with combined residential and commercial funding to total an amount at or below the amount allocated for the Project in the FY 23-24 ROPS; and,

WHEREAS, On April 7, 2023, the Citywide Affordable Housing Loan Committee (the “Loan Committee”) recommended approval of additional OCII subsidy for the Project in a total aggregate amount of up to \$65,011,065 (“Total OCII Subsidy”), which includes the \$3,086,119 in additional predevelopment loan funds, as well as residential gap loan funds, and commercial loan funds to construct the commercial spaces; and,

WHEREAS, Concurrently with this request, the Developer is seeking Commission authorization (by Resolution No. \_\_-2023) for a First Amendment to the Loan Agreement to increase the Original Loan by an amount of \$3,086,119 to fund further predevelopment activities to advance development of the Project; and,

WHEREAS, On April 20, 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 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 ten addenda to the FEIS/EIR were adopted by the Commission between June 2, 2006 and November 1, 2022. The tenth addendum to the FEIS/EIR, adopted by the Commission by Resolution No. 39-2022 specifically analyzed the environmental effects of the Project and the Family Project; and,

WHEREAS, OCII staff has reviewed the requested commitment for permanent gap funding and has found it to be within the scope of the project analyzed in the FEIS/EIR and its subsequent addenda; and,

WHEREAS, Copies of the FEIS/EIR and supporting documentation is on file with the Commission Secretary and is incorporated into this Resolution by reference; now therefore be it

RESOLVED, That the Commission finds the commitment for permanent gap funding is within the scope of the project analyzed in the FEIS/EIR and requires no additional environmental review pursuant to CEQA Guidelines sections 15180, 15162, 15163, and 15164 for the following reasons:

- (1) Implementation of the commitment for permanent gap funding does not require major revisions to the FEIS/EIR 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 project analyzed in the FEIS/EIR will be 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 project analyzed in the FEIS/EIR has become available which would indicate that (i) implementation of the commitment for permanent gap funding will have significant effects not discussed in the FEIS/EIR; (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 measure or alternatives, which are considerably different from those in the FEIS/EIR will substantially reduce one or more significant effects on the environment that would change the conclusions set forth in the FEIS/EIR; and be it further

RESOLVED, The Commission commits permanent gap funding in an amount of \$46,260,000 to Transbay 2 Senior LP, a California limited partnership, for the development of 151-affordable senior rental housing units (including one manager's unit) at Transbay Block 2 West and authorizes the Executive Director to: (i) affirm this commitment in a letter, form, or other format as deemed necessary for purposes of applications for financing; and (ii) to take any additional actions necessary to consummate the commitment contemplated by this Resolution.

I hereby certify that the foregoing resolution was adopted by the Successor Agency Commission at its meeting of May 2, 2023.

  
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Commission Secretary