

OCII COMMISSION

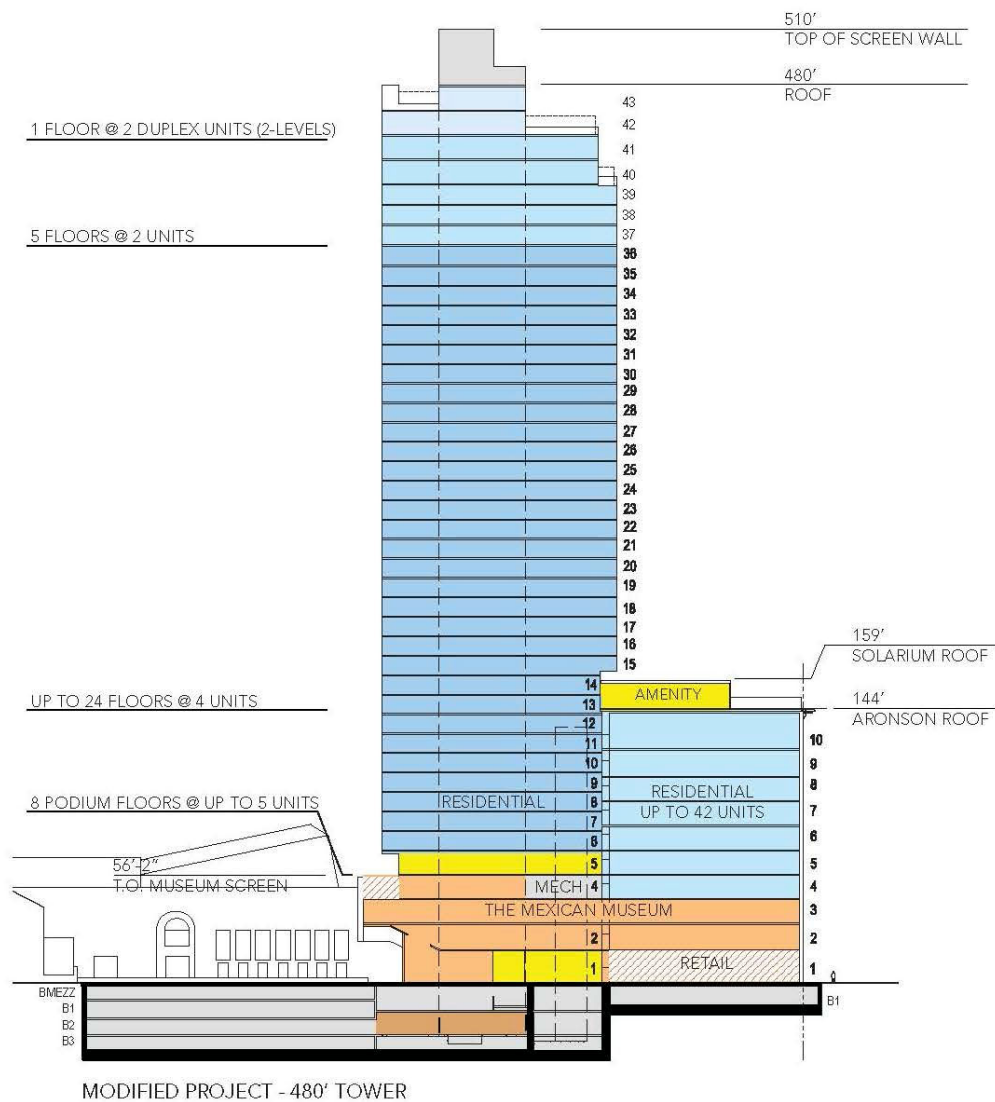
706 Mission Project Affordable Housing Fee Extension

December 6, 2022



The 706 Mission Project

- Purchase and Sale Agreement between OCII and Developer approved by Successor Agency Commission and Oversight Board in 2013
- Provides for construction of an up to 510-foot residential tower, 48,000-sq.ft. cultural space and 4,800 sq. ft. restaurant space



Agency Fee

- In addition to land purchase price, Developer agreed to several community benefits, including payment to OCII of an affordable housing fee, established under the PSA methodology to be \$4,456,378 (the “Agency Fee”).
- The Agency Fee is payable in three installments:
 - First Installment at building permit (\$891,276), paid in 2017
 - Second Installment (\$1,782,551) due upon issuance of first residential temporary certificate of occupancy (TCO)
 - Third Installment (\$1,782,551) due one year after the second installment payment

Agency Fee Status

- Developer received first residential TCO in November 2020, achieving the Agency Fee Second Installment milestone
- At that time, OCII Executive Director exercised discretionary right under the PSA to extend payment of the Second Installment by one year, both installments to be due in November 2021

Agency Fee Status (cont)

- The remaining Agency Fee has not been paid
- Since November 2021, Developer and Staff have discussed the status of the Agency Fee and Developer's desire for an extension.
- The applicable provisions of the PSA allow a further discretionary extension only by the Commission
- Thus, Developer has requested that Commission authorize a further extension of the Agency Fee, until March 31, 2023

Considerations for Extension

- PSA section 13.7(b) provides the Commission with discretionary authority to extend the time for Developer's performance of any term, covenant or conditions of the PSA.
- Staff recommends an extension for the following reasons:
 - Developer states the current economic conditions have affected its sales expectations for the Project.
 - As a result, Developer is currently seeking to recapitalize the Project, which will provide funds to make the Agency Fee payment, among other things.
 - Developer states it anticipates closing the recapitalization financing by March 31, 2023.

Next Steps

With Commission approval, Staff will issue an extension of the Agency Fee due date to April 3, 2023 (March 31, 2023 is a Friday)

Staff will monitor the Developer's refinancing efforts for the Project and will report back to the Commission as needed until Agency Fee is paid.

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Commissioners' Questions & Comments

