

Commission on Community Investment and Infrastructure

RESOLUTION NO. 30-2014

**Adopted April 29, 2014**

ADOPTING ENVIRONMENTAL REVIEW FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND (1) CONDITIONALLY APPROVING A MEMORANDUM OF UNDERSTANDING WITH THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, A CALIFORNIA PUBLIC CORPORATION, (2) CONDITIONALLY APPROVING A FIFTH AMENDMENT TO THE MISSION BAY SOUTH OWNER PARTICIPATION AGREEMENT WITH FOCIL-MB, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AND (3) CONDITIONALLY APPROVING A RELEASE AGREEMENT AND COVENANT REGARDING ASSUMPTION OF THE MISSION BAY SOUTH OWNER PARTICIPATION AGREEMENT WITH THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, A CALIFORNIA PUBLIC CORPORATION, AND BAY JACARANDA NO. 3334 LLC, A DELAWARE LIMITED LIABILITY COMPANY, RELATED TO THE REGENTS' PURCHASE OF BLOCKS 33 AND 34, BOUNDED BY 16TH STREET TO THE NORTH, ILLINOIS STREET TO THE EAST, MARIPOSA TO THE SOUTH, AND THIRD STREET TO THE WEST, FOR FUTURE DEVELOPMENT OF UP TO 500,000 GROSS SQUARE FEET; MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA

WHEREAS, On September 17, 1998, the Commission of the former Redevelopment Agency of the City and County of San Francisco ("Redevelopment Agency") approved by Resolution No. 190-98 the Redevelopment Plan for the Mission Bay South Redevelopment Project ("South Redevelopment Plan"), and by Resolution No. 188-98 the Redevelopment Plan for the Mission Bay North Redevelopment Project ("North Redevelopment Plan"). The South Redevelopment Plan provides for the redevelopment, rehabilitation and revitalization of the area generally bounded by the South embankment of China Basin Channel and Seventh Street, Interstate 280, Mariposa Street, Terry Francois Boulevard, and Third Street, as more particularly described in the South Redevelopment Plan ("South Plan Area"). On the same date, the Redevelopment Agency Commission adopted related documents, including Resolution No. 193-98 authorizing execution of an Owner Participation Agreement ("South OPA") and related documents between Catellus Development Corporation, a Delaware corporation ("Catellus"), and the Redevelopment Agency. On November 2, 1998, the San Francisco Board of Supervisors ("Board of Supervisors"), by Ordinance No. 335-98, adopted the South Redevelopment Plan. The South Redevelopment Plan and its implementing documents, as defined in the South Redevelopment Plan, constitute the "Plan Documents"; and,

WHEREAS, On September 17, 1998, the Redevelopment Agency Commission adopted Resolution No. 182-98, which certified the 1998 Final Subsequent Environmental Impact Report for the North and South Redevelopment Plans ("FSEIR") as a program EIR 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 Redevelopment Agency Commission also adopted Resolution No. 183-98, which adopted environmental findings, including a statement of overriding considerations and a Mission Bay mitigation monitoring and reporting program ("Mission Bay MMRP"), in

connection with the approval of the North and South Redevelopment Plans 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 Redevelopment Agency, and Resolution No. 854-98 adopting environmental findings and a statement of overriding considerations for the Mission Bay Project. Among other matters, the FSEIR included environmental analysis of principally permitted uses on the real property within the South Plan Area known as Blocks 33 and 34; and,

WHEREAS, Subsequent to certification of the FSEIR, the Redevelopment Agency and Successor Agency, as defined below, have issued nine addenda to the FSEIR to address proposed changes to the Mission Bay project, none of which 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 as a result of proposed changes to the Mission Bay project. Hereinafter, the Final Subsequent Environmental Impact Report, including any addenda thereto, shall be collectively referred to as the “FSEIR”; and,

WHEREAS, Catellus, the original master developer of the North and South Project Areas, has sold most of its remaining undeveloped land in Mission Bay to FOCIL-MB, LLC, (“FOCIL-MB”), a subsidiary of Farallon Capital Management, LLC, a large investment management firm. The sale encompassed approximately 71 acres of land in Mission Bay, and the remaining undeveloped residential parcels in the South Plan Area. FOCIL-MB assumed all of Catellus’s obligations under the South OPA and the Redevelopment Agency’s Owner Participation Agreement for Mission Bay North (the “North OPA” and collectively with the South OPA, the “OPAs”), as well as all responsibilities under the related public improvement agreements and land transfer agreements with the City and County of San Francisco (“City”). FOCIL-MB is bound by all terms of the OPAs and related agreements, including the requirements of the affordable housing program, equal opportunity program, and design review process; and,

WHEREAS, On February 1, 2012, the Redevelopment Agency was dissolved under the provisions of California State Assembly Bill No. IX 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) (“AB 26”), codified in relevant part in California’s Health and Safety Code Sections 34161 – 34168 and upheld by the California Supreme Court in California Redevelopment Assoc. v. Matosantos, No. S194861 (Dec. 29, 2011). AB 26 was subsequently amended in part by California State Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”) and California State Assembly Bill No. 471 (2014) (“AB 471”) (together, AB 26, AB 1484, AB 471, and any later amendments, “Redevelopment Dissolution Law”); and,

WHEREAS, Under the Redevelopment Dissolution Law , the City was designated as the successor agency to the Redevelopment Agency (“Successor Agency”), commonly known as the Office of Community Investment and Infrastructure (“OCII”), to receive the non-affordable housing assets and obligations of the Redevelopment Agency; and,

WHEREAS, The Redevelopment Dissolution Law required creation of an oversight board to the successor agency and provided that with approval from its oversight board and the State Department of Finance (“DOF”), a successor agency may continue to implement “enforceable obligations” such as existing contracts, bonds and leases,

that were executed prior to the suspension of redevelopment agencies' activities.. On January 24, 2014, DOF finally and conclusively determined that the OPAs and Mission Bay Tax Increment Allocation Pledge Agreements are enforceable obligations pursuant to Health and Safety Code Section 34177.5(i); and,

WHEREAS, In accordance with Redevelopment Dissolution Law, the Board of Supervisors, acting as the legislative body of the Successor Agency, adopted Ordinance No. 215-12 (the "Implementing Ordinance"), which, among other matters: (a) acknowledged and confirmed that, as of the effective date of October 2, 2012, the effective date of AB 1484, the Successor Agency is a separate legal entity from the City, (b) established this Successor Agency Commission, commonly known as the Commission on Community Infrastructure and Investment (the "Commission"), and delegated to it the authority to (i) act in place of the Redevelopment Agency Commission to, among other matters, implement, modify, enforce and complete the Redevelopment Agency's enforceable obligations, (ii) approve all contracts and actions related to the assets transferred to or retained by the Successor Agency, including, without limitation, the authority to exercise land use, development, and design approval, consistent with applicable enforceable obligations, and (iii) take any action that the Redevelopment Dissolution Law requires or authorizes on behalf of the Successor Agency and any other action that this Commission deems appropriate, consistent with the Redevelopment Dissolution Law, to comply with such obligations; and,

WHEREAS, The Board of Supervisors' delegation to the Commission under the Implementing Ordinance includes the authority to amend existing obligation as allowed by the Redevelopment Dissolution Law, but requires Board of Supervisors' approval of any material changes to affordable housing obligations; and,

WHEREAS, The Regents of the University of California (the "Regents") is under contract to purchase Blocks 33 and 34 of the South Plan Area from Bay Jarcaranda No. 3334 LLC ("Current Owner"), and intends to expand the facilities of UCSF in the South Plan Area by constructing a project on Blocks 33 and 34 that is consistent with the uses allowed under the South Redevelopment Plan and the allocation of square footage for the site contemplated by the FSEIR. While the Regents has not identified the final use of Blocks 33 and 34, the Regents is purchasing from the Current Owner the right to construct 500,000 gross square feet of development and all parking spaces allocable to Blocks 33 and 34 under the Plan Documents (which may not exceed 1.0 parking spaces for each 1,000 square feet of gross floor area for commercial/office uses); and,

WHEREAS, Blocks 33 and 34 are subject to the South Redevelopment Plan and the South OPA. Additionally, as required by the South OPA, Blocks 33 and 34 are subject to a Tax Payment Agreement ("PILOT Agreement"), which requires any tax exempt-entity, such as the Regents, that acquires Blocks 33 and 34 to (i) pay special taxes assessed by any community facility district and (ii) make certain payments in lieu of property taxes to OCII. The PILOT Agreement was intended to effectuate the provisions of Section 14.7 of the South OPA and to minimize the adverse financial impact on completion of the projects under the South Redevelopment Plan that could result from any future claim of an exemption from property taxes for the Blocks 33 and 34 and certain other property within the South Plan Area on the implementation of the South Redevelopment Plan, and specifically on OCII's ability to increase, improve and preserve affordable housing and to reimburse FOCIL-MB for infrastructure costs. Under the State Constitution, the Regents is exempt from local land use and redevelopment

regulations and from local property taxes, where the Regents uses property in furtherance of its educational purposes, as it intends to do with Blocks 33 and 34. However, the Regents is subject to third party contractual obligations that run with the land, such as the South OPA and PILOT Agreement; and,

WHEREAS, To facilitate the acquisition of Blocks 33 and 34 by the Regents, the Current Owner, FOCIL, and the Regents wish to obtain from OCII a release of the Regents from certain obligations under the South Redevelopment Plan, the South OPA and the PILOT Agreement relating to the Blocks 33 and 34, and a release of the Current Owner from the obligations under the existing PILOT Agreement, in exchange for certain payments and agreements from the Regents; and,

WHEREAS, The Commission is currently considering approval of a Memorandum of Understanding (“MOU”) between OCII and the Regents, a fifth amendment to the South OPA between OCII and FOCIL-MB (“Fifth Amendment”), and a Release Agreement and Covenant Regarding Assumption of the South OPA with the Regents and the Current Owner (“Release Agreement”) (collectively, the “Implementing Actions”); and,

WHEREAS, The MOU, Fifth Amendment, and Release Agreement are on file with the Secretary of the Commission; and,

WHEREAS, Under the terms of the MOU, OCII will agree to release the Regents from certain obligations under the South Redevelopment Plan, South OPA and the PILOT Agreement and agree to release the Current Owner from the obligations under the PILOT Agreement, conditioned on the Regents’ agreement to, among other things, (i) make an affordable housing payment (“Affordable Housing Payment”) to OCII of \$10.2 million, which exceeds the tax increment that OCII would have received from Blocks 33 and 34 if owned and developed by a taxable entity; (ii) enter into an agreement with FOCIL regarding infrastructure (“Infrastructure Agreement”) and make an infrastructure payment of \$21.9 million (“Infrastructure Payment”) to FOCIL-MB, which is comparable to the tax increment that OCII would have received from Blocks 33 and 34 for infrastructure purposes if owned and developed by a taxable entity; (iii) pay the special taxes under the community facility districts that the Blocks 33 and 34 are part of; (iv) abide by certain requirements under the South Redevelopment Plan in developing Blocks 33 and 34, including without limitation, agreeing to abide by the permitted land uses, height, setback, bulk, and development intensity controls for the site in the South Redevelopment Plan; and (v) provide an agreement assuming obligations under the South OPA and related Plan Documents and a tax allocation promissory note in connection with any future transfer of Blocks 33 and 34 or use of Blocks 33 and 34 for purposes other than the Regents educational mission. To implement certain of the terms of the MOU, FOCIL-MB and OCII will enter into the Fifth Amendment, and OCII, the Regents and Current Owner will enter into a Release Agreement; and,

WHEREAS, Under the terms of the Fifth Amendment, OCII and FOCIL-MB will agree, among other things, (i) to suspend the requirement that a transferee assume all of the transferor’s obligations under the South OPA with respect to transferred property, (ii) that OCII will consent to the transfer of Blocks 33 and 34 by the Current Owner to the Regents, subject to the requirements of the MOU being met, (iii) to release the Current Owner from certain obligations under the South OPA pertaining to Blocks 33 and 34, and (iv) that FOCIL-MB will apply the Infrastructure Payment toward the cost of infrastructure that would otherwise be reimbursable from the Successor Agency from tax increment, all

conditioned on OCII's receipt of the Affordable Housing Payment and FOCIL-MB's receipt of the Infrastructure Payment and execution of the MOU and Infrastructure Agreement by the applicable parties; and,

WHEREAS, Under the terms of the Release Agreement, OCII will agree to suspend the effects of the South Redevelopment Plan, the South OPA, and other Plan documents so long as and to the extent that Blocks 33 and 34 are used in furtherance of UCSF's educational mission, and consent to the termination of the existing PILOT Agreement. The Release Agreement provides that the South Redevelopment Plan, South OPA and other Plan Documents will "spring back" into effect if Blocks 33 and 34 are not used for such purposes, and at OCII's request the Regents will then provide an agreement assuming the obligations under such documents together with a tax allocation promissory note and a new PILOT Agreement. Because the South OPA requires the City's consent for any transfers that are not subject to a PILOT Agreement, this Commission's approval of the Release Agreement will also be conditioned on the approval by the Board of Supervisors of the transfer of Blocks 33 and 34 to the Regents free of the PILOT Agreement; and,

WHEREAS, Approval of the MOU, the Fifth Amendment, and the Release Agreement (collectively, the "Agreements") will allow the acquisition of the Regents' of Blocks 33 and 34 to proceed. The acquisition and subsequent development of Blocks 33 and 34 will provide significant public benefits to OCII, the City, and other taxing agencies, including: (1) an Affordable Housing Payment that exceeds the amount of tax increment that would have been collected if Blocks 33 and 34 were developed by a taxable owner, thereby reducing the need for the use of tax increment funds for the production of affordable housing; (2) immediately available funds for the production of affordable housing and infrastructure, thereby accelerating the completion of development under the South Redevelopment Plan, the South OPA, and related enforceable obligations; and (3) the likely consolidation of UCSF's operations and relocation from remote locations in San Francisco, thereby potentially returning these other properties to the City tax rolls and generating new general fund revenues to the City and tax revenues for the other taxing agencies. The Agreements do not propose any new capital expenditures by OCII or any change in OCII's overall method of financing the redevelopment of the South Plan Area. Rather, the Agreements will accelerate the completion of development under the South Redevelopment Plan and the South OPA; and,

WHEREAS, OCII staff has reviewed the Implementing Actions for purposes of compliance with CEQA and the State CEQA Guidelines; and,

WHEREAS, OCII staff, in 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, including the statement of overriding considerations and Mission Bay MMRP, adopted in accordance with CEQA by the Redevelopment 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; and,

WHEREAS, OCII staff has reviewed the MOU, the Fifth Amendment, and the Release Agreement and recommends approval thereof; and,

WHEREAS, The affordable housing provisions of the Fifth Amendment, MOU and Release Agreement, are considered to effect a material change to the affordable housing program in the South Plan, and thereby require Board of Supervisors approval, acting in its capacity as the legislative body to the Successor Agency pursuant to the Implementing Ordinance; and now, therefore, be it

RESOLVED, The Commission finds and determines that the Implementing Actions are 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 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 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 to the Mission Bay Project analyzed in the FSEIR has become available, which would indicate that (i) the Implementing Actions 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, That the Commission has reviewed and considered the FSEIR findings, including the statement of overriding considerations and the Mission Bay MMRP and hereby adopts the CEQA findings set forth in Redevelopment Commission Resolution No. 183-98 as its own, which are incorporated herein, and, be it further

RESOLVED, That the Commission finds and determines that, subject to the review and approval of the San Francisco Board of Supervisors of the affordable housing provisions of the Fifth Amendment, MOU, and Release Agreement and subject further to the review and approval of the Oversight Board and the Department of Finance of the Fifth Amendment, the Executive Director is authorized to enter into the Fifth Amendment, the MOU, and the Release Agreement, substantially in the form of the documents on file with the Secretary of the Commission; and, be it further

RESOLVED, That the Commission finds and determines that the Executive Director is authorized to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of April 29, 2014.

Natasha Jones  
Commission Secretary