

[Acquisition of Muni Fillmore Substation at 1190 Fillmore Street.]

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Resolution approving the acquisition of real property with improvements located at 1190 Fillmore Street (at Turk Street), together with a Certificate for 171,308 units of Transferable Development Rights and \$135,225 in predevelopment planning funds from the San Francisco Redevelopment Agency for the rehabilitation of the Muni Substation, at no cost to the City.

WHEREAS, In May 2003, the San Francisco Redevelopment Agency (the "Agency") acquired from the City and County of San Francisco that certain property with improvements located at 1190 Fillmore Street (the "Property") and the adjacent parcel located at 1345 Turk Street for \$900,000 for the primary use and development of affordable housing, to provide art and community uses, and other publicly beneficial uses, as set forth in the City's Board of Supervisors Resolution No. 254-03; and,

WHEREAS, The building on the Property is known as the Municipal Railway Substation Building (the "Muni Substation") and is a City-designated historical landmark (Landmark No. 105, April 23, 1979); and,

WHEREAS, The Property is located within the boundary of the former Western Addition Redevelopment Project Area A-2 and was subject to the Redevelopment Plan for the Western Addition Redevelopment Project Area A-2, which expired on January 1, 2009; and,

WHEREAS, The Agency intended to rehabilitate the Muni Substation as part of its implementation of the Redevelopment Plan for the Western Addition Redevelopment Project Area A-2 ("Redevelopment Plan"), but could not find a developer with an economically feasible plan for the project prior to the expiration of the Redevelopment Plan; and,

1 WHEREAS, In March 2009, the Board of Supervisors by Resolution No. 92-09 granting
2 the Agency's request to amended the Agency's budget for fiscal year 2008-09 to reprogram
3 certain funds upon the following conditions: (i) the adoption of a resolution by the Agency
4 approving a Term Sheet to transfer the Muni Substation to the City; and (ii) to replenish said
5 re-programmed funds through the transfer of 171,308 units of Transferable Development
6 Rights ("TDRs") to the City for the purpose of rehabilitating the Muni Substation;
7 (iii) appropriate approximately \$535,000 to the Office of Economic and Workforce
8 Development ("OEWD") for marketing and economic development activities in the Fillmore
9 Jazz Preservation District, including predevelopment planning for the Muni Substation, and
10 (iv) provided that a purchase agreement for the conveyance of the Property from the Agency
11 to the City be submitted to the Board of Supervisors for approval; and,

12 WHEREAS, The Agency and OEWD have agreed that a portion of the \$535,000
13 should be allocated for predevelopment planning activities for the Muni Substation and in
14 June 2009, on the basis of the predevelopment plan for the Property prepared by OEWD, the
15 Board of Supervisors released from reserve \$135,225 to be transferred from the Agency to
16 OEWD for this purpose (the "Predevelopment Funds"); and,

17 WHEREAS, In 2006, the Agency acquired 171,308 square feet of transferable
18 development rights ("TDRs") from the owner of the Rincon Annex at 121 Spear Street to be
19 used for the preservation of historic properties within or near a redevelopment project area;
20 and,

21 WHEREAS, In accordance with a settlement agreement dated April 15, 2008 between
22 the Agency, the City and San Francisco Historic Resources Advocates, the Agency may
23 receive proceeds from the sale of the TDRs and use the proceeds for the preservation of
24 historic buildings; and,

1 WHEREAS, On February 17, 2009 by Resolution No. 18-2009, the Agency
2 Commission: (i) approved a Term Sheet to transfer the Property to the City at no cost;
3 (ii) approved transfer of the TDRs to the City for the purpose of rehabilitating the Muni
4 Substation; and (iii) authorized the Agency's Executive Director to execute transfer
5 agreements and other agreements and documents required to fulfill the terms of the Term
6 Sheet; and,

7 WHEREAS, The Muni Substation was purchased with tax increment funds and Section
8 33433 of the California Health and Safety Code requires the Agency to transfer the property at
9 fair market value or fair reuse value. The Agency purchased the Property and the adjacent
10 parcel together for \$900,000. However, the Property has no real economic value because the
11 cost of rehabilitation exceeds the fair market value after such rehabilitation. Therefore,
12 transferring the Muni Substation to the City at no cost is in compliance with 33433 of the
13 California Health and Safety Code; and,

14 WHEREAS, Section 33433 of the California Health and Safety Code requires the
15 Board of Supervisors' approval of its sale or lease after public hearing; and,

16 WHEREAS, In accordance with the requirements of Section 33433 of the Health and
17 Safety Code, the Agency prepared and submitted a report including a copy of the proposed
18 Agreement for Transfer of Real Estate, and a summary of this transaction, the value of the
19 property interest to be conveyed and other information was made available for the public
20 inspection; and,

21 WHEREAS, The City and the Agency have agreed to a purchase agreement through
22 which the Agency will transfer the Property to the City at no cost, along with the TDRs and the
23 Predevelopment Funds, a copy of which purchase agreement is on file with the Clerk of the
24 Board under File No. (the "Purchase Agreement"); and,

1 WHEREAS, The Agency will subdivide the Property and the adjacent parcel at 1345
2 Turk Streets into two parcels, and upon such subdivision the Property will be ready for
3 transfer to the City "AS IS"; and,

4 WHEREAS, The Purchase Agreement restates the requirement imposed by the Board
5 of Supervisors in Resolution 92-09 which provides that repayments by the Agency from loans
6 made under the Fillmore Jazz Preservation Revolving Loan Program from the reprogrammed
7 funds shall be used, to the extent permitted by law for redevelopment purposes under the
8 Community Redevelopment Law, and subject to review and approval by the Board of
9 Supervisors and Finance Committee: (i) to assist in the rehabilitation and reuse of the Muni
10 Substation, or (ii) if the OEWD and the Real Estate Division determine that these funds are
11 not needed for the Muni Substation, to invest in additional Agency loans or other
12 redevelopment programs; and,

13 WHEREAS, The Agency's transfer of the Property, the TDRs and the Predevelopment
14 Funds for the purpose of predevelopment planning and rehabilitation of the Property are
15 categorically exempt pursuant to CEQA Guidelines Section 15061(b)(3); now, therefore, be it

16 RESOLVED, That the Board of Supervisors hereby: (i) approves the Purchase
17 Agreement and authorizes the City's Director of Property to execute and deliver the Purchase
18 Agreement and to take such actions as may be necessary or appropriate to acquire the
19 Property and the TDRs as contemplated by the Purchase Agreement, (ii) authorizes the
20 Director of Property to sell the TDRs at a price and a time determined by the Director of
21 Property to be reasonable, with the proceeds of any such sale to be used in the rehabilitation
22 of the Property as set forth above; and (iii) authorizes the use of the Predevelopment Funds
23 for the predevelopment planning of the Muni Substation provided that the funds shall be
24 placed on Budget/Finance Committee reserve under OEWD; and, be it

25 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of

1 Property to enter into any additions, amendments or other modifications to the Purchase
2 Agreement that the Director of Property, in consultation with the City Attorney, determines are
3 in the best interests of the City, do not materially decrease the benefits of the Purchase
4 Agreement to the City, do not materially increase the obligations or liabilities of the City, and
5 are necessary or advisable to complete the transactions under the Purchase Agreement and
6 effectuate the purpose and intent of this resolution, such determination to be conclusively
7 evidenced by the execution and delivery by the Director of Property of the Purchase
8 Agreement and any such additions, amendments, or other modifications; and, be it

9 FURTHER RESOLVED, That the Board of Supervisors authorizes and urges the
10 Director of Property and any other appropriate officers, agents or employees of the City to
11 take any and all steps (including, but not limited to, the execution and delivery of any and all
12 certificates, agreements, notices, consents and other instruments or documents), as they or
13 any of them deems necessary or appropriate, in consultation with the City Attorney, in order to
14 consummate the transaction under the Purchase Agreement in accordance with this
15 resolution, or to otherwise effectuate the purpose and intent of this resolution, including the
16 sale of the TDRs when appropriate; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors approves, confirms and ratifies
18 all prior actions taken by the officials, employees and agents of the City with respect to the
19 Purchase Agreement.
20
21
22
23
24
25