OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

118-2082024-002

Agenda Item **Nos.5 (d and e)**
Meeting of January 16, 2024

MEMORANDUM

TO: Commission on Community Investment and Infrastructure

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Authorizing an Amended and Restated Loan Agreement with Transbay 2 Senior, L.P., a California limited partnership, to increase the contract amount by $55,478,666 for a total aggregate loan amount of $62,064,785, and a Community Commercial Loan Agreement with CCDC Transbay 2 Commercial LLC, a California limited liability company, in an amount not to exceed $2,946,280, for the development of 151 affordable senior rental housing units (including one manager's unit) and three community-serving commercial units 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, a Program EIR, and is adequately described therein for purposes of the California Environmental Quality Act; Transbay Redevelopment Project Area

Authorizing a Residential Ground Lease with Transbay 2 Senior, L.P., a California limited partnership, and a Community Commercial Ground Lease with CCDC Transbay 2 Commercial LLC, a California limited liability company, for the development of 151 affordable senior rental housing units (including one manager's unit) and three community-serving commercial units 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, a Program EIR, and is adequately described therein for purposes of the California Environmental Quality Act; Transbay Redevelopment Project Area

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EXECUTIVE SUMMARY

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (commonly known as the Office of Community Investment and Infrastructure or “OCII”) is completing the enforceable obligations of the former Redevelopment Agency of the City and County of San Francisco (“Former Agency”) in the Transbay Redevelopment Project Area (“Project Area”). These include implementing the Redevelopment Plan for the Transbay Redevelopment Project Area (“Redevelopment Plan”), acquiring and facilitating the development of the former Transbay Temporary Terminal site, and ensuring that at least 35% of all new housing in the Project Area is permanently affordable.

In 2020 after a solicitation, OCII selected the Chinatown Community Development Center (“CCDC” or the “Developer”) and Mercy Housing California (“Mercy”) (together the “Block 2 Co-Developers”) to develop Transbay Block 2 (“Block 2” or the “Site”) with two mixed-use affordable housing projects. In 2021, the Commission authorized an Exclusive Negotiations Agreement (“ENA”) with the Block 2 Co-Developers as well as two Predevelopment Loan Agreements. CCDC is the Transbay Block 2 West developer and long-term owner/operator of a proposed mixed-use residential building with ground floor community commercial spaces serving seniors and formerly homeless seniors on the western half of the Site (the “Project”).

To meet the Project Area affordability requirement, 100% of residential units on Block 2, except for on-site manager’s units, will be affordable. In addition to complying with the Project Area affordability requirement, the planned units on Block 2 will contribute significantly toward Mayor Breed’s goal of increasing affordable housing in the City and County of San Francisco (“City”).

Beginning in 2020, the State started allocating tax-exempt bond financing for affordable housing projects on a competitive basis, and such financing has been oversubscribed in every financing application round. To maximize the ability of the Project to obtain an allocation of State affordable housing bond funds and Low-Income Housing Tax Credits, CCDC determined that the commercial portion of the Project should be constructed separately from the residential portion by an affiliate of CCDC within a separate air rights parcel and under a separate ground lease and loan agreement. CCDC succeeded in obtaining a State affordable housing bond and tax credit allocations of $65,180,000 on August 23, 2023.

Underwriting for the Project was completed and approved on April 7, 2023 by the Citywide Affordable Housing Loan Committee (“Loan Committee”). The Loan Committee’s Loan Evaluation is enclosed as Attachment 6. In preparation for the close of construction financing and the start of construction in March 2024, staff is now requesting Commission approval of the following agreements (collectively, the “Project Agreements”):

1. Amended and Restated Loan Agreement, in an aggregate loan amount not to exceed approximately $62,064,785 (“Residential Loan Agreement”) (Attachment 2);

2. 75-year residential ground lease (“Residential Ground Lease”) (Attachment 3);

3. Community Commercial Loan Agreement for development of the commercial units in an amount not to exceed approximately $2,946,280 (“Commercial Loan Agreement”) with CCDC Transbay 2 Commercial LLC, (“CCDC Commercial”) a California limited liability company affiliated with CCDC (Attachment 4);

4. 75-year commercial ground lease (“Commercial Ground Lease”) (Attachment 5) with CCDC Commercial.

Staff recommends that the Commission authorize the Residential Loan Agreement, the Residential Ground Lease, the Commercial Loan Agreement, the Commercial Ground Lease, and adopt environmental findings pursuant to CEQA.

BACKGROUND

Transbay Redevelopment Project Area

The Board of Supervisors established the Project Area and approved the Redevelopment Plan by Ordinances No. 124-05 (June 21, 2005) and No. 99-06 (May 9, 2006), as amended by Ordinances No. 84-15 (June 16, 2015), No. 62-16 (April 26, 2016), and No. 09-23 (January 24, 2023). The Redevelopment Plan establishes the land use controls for the Project Area, and divides the Project Area into two sub-areas:

- Zone One in which the Redevelopment Plan and Development Controls define the development standards, and

- Zone Two in which the San Francisco Planning Code applies.

A major focus of the Project Area is to redevelop 10 acres of former highway access ramp properties previously owned by the State of California (the “State-Owned Parcels”) to generate funding for the Transbay Joint Powers Authority (“TJPA”) to construct what is now the Salesforce Transit Center (the “Transit Center”). OCII’s role is to complete the enforceable obligations that the State Department of Finance has finally and conclusively approved under Redevelopment Dissolution Law. These enforceable obligations include the Implementation Agreement between TJPA and the Former Agency, which requires OCII to facilitate the sale and development of certain State-Owned Parcels to third parties, to implement the Redevelopment Plan, and to comply with California Assembly Bill 812, codified in Section 5027.1 of the California Public Resources Code (“AB 812”). AB 812 requires that 35% of all new or rehabilitated residential units in the Project Area be affordable to low- and moderate-income households (the “Transbay Affordable Housing Obligation”).

Within the Project Area, a total of 2,666 residential units have been completed, 28% of which are affordable. Based on overall Project Area construction to date and the inclusion of the Project and the Family Project, the Project Area affordability is projected to be approximately 36%. However, this percentage may fluctuate over time as additional housing projects are proposed within Zone Two.

Block 2 Background

Block 2 is a formerly State-Owned Parcel located within Zone One of the Project Area. OCII acquired, by Resolution No. 23-2020 (August 18, 2020), the former Temporary Terminal site from TJPA in January 2021. In June 2020, OCII issued a request for proposals seeking a team to develop, own, and operate mixed-use affordable rental family and senior housing units on Block 2, including units set aside for formerly homeless households. Based on the results of an interdisciplinary evaluation panel, OCII staff recommended the team led by Mercy and CCDC. According to the proposal, Mercy would be owner and property manager of the Family Project on the eastern half of the Site, with supportive services provided by Episcopal Community Services, and CCDC would be owner, property manager, and services provider of the Project.

On April 6, 2021, by Resolution No. 09-2021, the Commission authorized the Block 2 ENA with the Block 2 Co-Developers as well as two Predevelopment Loan Agreements to fund predevelopment activities, one Predevelopment Loan Agreement for the Project and a separate Predevelopment Loan Agreement for the Family Project. Development roles and responsibilities between the Block 2 Co-Developers are described in a Joint Development Agreement (“JDA”) provided to the Commission on April 6, 2021 when the ENA was approved. The JDA affirmed that Mercy’s commercial affiliate, Mercy Housing Commercial (“MHC”), would take the lead on marketing and leasing the community commercial spaces developed on Block 2.

On November 1, 2022, by Resolution Nos. 39-2022 through 44-2022, the Commission approved schematic designs for the Project and Family Project and took related actions to entitle the Project including making CEQA findings and approving amendments to the Redevelopment Plan (“Plan Amendment”) and Development Controls and Design Guidelines. The Plan Amendment was subsequently approved by the Board of Supervisors (Ordinance No. 09-23, January 24, 2023).

On May 2, 2023, by Resolution No. 15-2023, the Commission authorized the commitment of partial permanent gap loan funds to CCDC for the development of the Project. Also on May 2, 2023, by Resolution No. 16-2023, the Commission authorized a First Amendment to the Predevelopment Loan Agreement with CCDC to increase the predevelopment loan amount for additional predevelopment activities including professional design/build work by mechanical, electrical, plumbing, and fire construction subcontractors.

On August 15, 2023, by Resolution No. 26-2023, the Commission authorized a short-term Horizontal Ground Lease with an affiliate of Mercy to facilitate and fund site preparation work on Block 2 prior to the construction of the Project and the Family Project in Spring 2024. Site preparation work, including demolition and archeological surveys and exploration, commenced on September 22, 2023 and will be completed in January 2024.

Project Description

The Project is comprised of 151 residential rental units, including one unrestricted manager's unit, and 150 units restricted for affordability to households with incomes ranging from 15% to 50% of the Area Median Income ("AMI") as published annually by the Mayor's Office of Housing and Community Development ("MOHCD"). The Project will include 30 units set aside for formerly homeless households, which will be supported through an operating subsidy provided by the City's Local Operating Subsidy Program ("LOSP"), and 60 units serving seniors with extremely low incomes supported by the City's Senior Operating Subsidy ("SOS") program.

Along with the residential units, the Project includes resident amenity spaces, public and private open spaces, streetscape improvements, bicycle parking, and three ground floor community-serving commercial units built to a warm shell condition ("Community Commercial Units"). A description of the Project is summarized in the table below.

Transbay 2 West Project Development Program	
Residential units	151 units, including 1 manager's unit
Population served	Seniors, including 30 units set aside for formerly homeless seniors
Target Income levels	• 15% AMI – 30 units/20% (SOS*) • 25% AMI – 30 units/20% (SOS*) • 30% AMI – 54 units/36% (including 30 LOSP) • 50% AMI – 36 units/24%
Unit types/sizes	• Studio: 39 (26%), average 410 sf • One-bedroom: 111 (74%), average 541 sf • Two-bedroom: 1 manager's unit, 982 sf
Community Commercial Units	• 2,933 sf retail in 3 spaces with room for adjacent outdoor seating • Leasable vendor cart pad in the mid-block pedestrian mews with utilities and nearby public seating
Resident amenities/open spaces	• Ground floor lounge and adjacent courtyard terrace • Ground floor multi-purpose room • Roof deck open space • Community room with kitchen • Two laundry rooms
Public open space	• 25' central pedestrian mews with landscaping and public seating • Approximately 1,690 sf courtyard with seating and activities, open to the public for daytime use (closed for security purposes at night)
Streetscape improvements	Sidewalks and bulb-outs, street trees and other plantings, public seating, streetlights, and bicycle racks
Parking	• No vehicular parking • 12-Class I secured bicycle spaces

**SOS units will be restricted at 60% MOHCD AMI for purposes of the Declaration of Restrictions, consistent with the City and County of San Francisco Senior Operating Subsidy Program Policies and Procedures Manual, however, the units will be marketed to households at 15%/25% MOHCD AMI (prospective tenants will income qualify and pay their rent at the 15%/25% AMI levels and the SOS subsidy will fund the gap between tenant rents and rents affordable to households earning 60% AMI pursuant to the Declaration of Restrictions).*

The intent of the Community Commercial Units is to prioritize *Public Benefit Uses* and *Community Serving Uses* (as defined in the MOHCD Commercial Underwriting Guidelines and as provided below and attached to the Commercial Loan Agreement), and other benefits that support the affordable housing residents and surrounding community.

<u>Public Benefit Use</u>
A land use, typically programs or services, that primarily benefits low-income persons, is implemented by one or more 501(c)(3) public benefit corporations and has been identified by the City or community as a priority use. Examples include, but are not limited to, childcare centers, adult day health centers, office space for non-profit organizations, supportive services for the residents of the affordable housing development, health clinics that serve the local community at no or low cost, arts-related spaces that provide programs, and classes and/or exhibition spaces available to community members at no or low cost.

<u>Community Serving Use</u>
A land use, typically retail or other sales and services use, that provides a direct benefit to the community, as determined by OCII in its sole discretion. Such use to be documented pursuant to the Commercial Loan Agreement and through a Community Commercial Services Agreement, to be executed prior to the close of construction financing, and reported on annually through the MOHCD Annual Monitoring Report.

Benefit Goals:

- Economic Development
- Community and Social Development
- Sustainable Job Creation and Retention and Wealth Creation
- Investment Diversification and Partnerships Development
- Environmentally Sustainable Outcomes

Examples include:

a. Early childhood education center,
b. Nonprofit office/services provision,
c. Food market with affordable and healthy produce and other goods,
d. Community banking,
e. Restaurant offers low-cost meals,
f. Business hires low-income workers,
g. Business owned by underrepresented community, or
h. Other neighborhood serving uses that have a demonstrated benefit to the residents of the affordable housing project.

The Community Commercial Services Agreement is an annual monitoring tool that outlines the Benefit Goals stated above and measures the Project's alignment with the Benefit Goals, by reporting on key metrics such as number of permanent jobs created, number of participants served, and number of consultations held with local stakeholders in the San Francisco area.

MHC has begun conducting specific outreach for the Project's Community Commercial Units by attending community meetings and speaking directly to residents within the Transbay neighborhood. For the past six months, they have also been meeting and verbally communicating with small businesses for new commercial units opening next year at another affordable housing project in San Francisco, creating a pipeline of a dozen potential small businesses for Transbay Block 2 West as well. Potential businesses may include kid-friendly programming such as a children's cooking school; food shops such as a bakery, ice cream, or boba shop; or affordable services such as a community fitness studio or a hair/nail salon. Their intent is to lease the Community Commercial Units to local businesses that are owned/operated by people of color, women, immigrants, and other people who may have difficulty securing a relatively affordable retail location in San Francisco.

DISCUSSION

Project Financing and Loan Terms

As previously noted, the Commission approved a $3,500,000 loan in April 2021 to fund predevelopment activities. Subsequently on April 7, 2023, Loan Committee recommended approval of a total OCII subsidy amount of $65,011,065, which includes the $3,500,000 in existing predevelopment funds as well as an additional $3,086,119 for additional predevelopment activities, and $58,424,946 in permanent funding ("OCII Subsidy"). To optimize the Project financing structure, certain Project costs will be removed from the residential tax credit project and funded separately by OCII. The OCII Subsidy structure is as follows:

1. Residential Project- Amended and Restated Loan Agreement for the LIHTC residential component – the OCII Gap Loan, estimated at approximately $62,064,785, will fund construction of the residential units, residential amenities, and other related improvements ("Residential Project"). The Residential Loan Agreement will include standard terms and conditions for OCII affordable projects.
2. Community Commercial Project- Community Commercial Loan Agreement for the commercial component – OCII will fund a Community Commercial Loan, estimated at approximately $2,946,280, to construct the three commercial units to a warm shell condition ("Community Commercial Project").

In addition to the OCII Subsidy, the Project is financed with investor equity raised from the sale of 4% Federal Low-Income Housing Tax Credits and a construction loan backed by tax-exempt bonds issued by the City. Funding sources and uses for the Project are summarized in the table below:

Project Sources and Uses

Permanent Sources	**Amount**	**Per Unit**	**Per Sq. Ft.**
Federal Tax Credit Equity	$59,351,143	$393,054	$541.25
Deferred Fee	$1,064,461	$7,049	$9.71
Subtotal of Non-OCII Sources	**$60,415,604**	**$400,103**	**$550.96**
OCII Gap Loan (residential)	$62,064,785	$411,025	$566.00
OCII Community Commercial Loan	$2,946,280	$19,512	$26.87
Subtotal of OCII Subsidy	**$65,011,065**	**$430,537**	**$592.87**
Total Development Sources	**$125,426,669**	**$830,640**	**$1,143.83**
Uses	**Amount**	**Per Unit**	**Per Sq. Ft.**
Hard Costs	$98,322,786	$651,144	$896.66
Soft Costs	$23,978,883	$158,800	$218.67
Developer Fee (residential)	$2,700,000	$17,881	$24.62
Developer Fee (commercial)	$425,000	$2,815	$3.88
Total Development Costs	**$125,426,669**	**$830,640**	**$1,143.83**

Amended and Restated Loan Agreement

If approved by Commission, OCII and Transbay 2 Senior, L.P. will enter into an Amended and Restated Loan Agreement with a term of 55 years to finance construction and operation of the Residential Project. The Residential Loan Agreement requires the Developer to maximize tax credit equity to the Project while meeting the Internal Revenue Code requirement that at least 50% of Project costs be paid for by the tax-exempt bond financed loan. Project costs associated with the Community Commercial Project are ineligible for tax credits, therefore, if, based on final costs, the OCII Gap Loan amount can be increased, which will generate additional tax credit equity, and the Community Commercial Loan funding amount can be decreased prior to the close of construction financing, those amounts may be adjusted as part of the Final Financial Plan[1] (“FFP”) as long as total funding for the Project does not exceed the total OCII Subsidy amount of $65,011,065. The interest rate may also be adjusted between 0% and 3% based on the Project’s financial feasibility (subject to any adjustment being included in the FFP confirmation letter approved by the OCII Executive Director and MOHCD Director). Similarly, the total OCII subsidy may be reduced depending on the final sources and uses for the Project.

[1] The Final Financial Plan is the final Project budget including adjustments to the interest rate and final total funding amount (within the total OCII subsidy amount of $65,011,065) based on the final sources and uses for this Project, which will be approved by the OCII Executive Director and MOHCD Director closer to the start of construction of the Project.

The Residential Loan Agreement closing and funds disbursement are subject to conditions established in the Citywide Affordable Housing Loan Committee Loan Evaluation ("Loan Evaluation") (Attachment 6, see Section 9.6 beginning on page 31) and Loan Agreement (see Section 3.12). Key conditions, amongst other standard MOHCD and OCII loan agreement conditions, include:

Residential Loan Agreement Key Conditions

a. Working with OCII, MOHCD, and Department of Homelessness and Supportive Housing ("HSH") to finalize the LOSP budget and secure approval for a LOSP grant agreement in accordance with the Residential Loan Agreement and timeframe and procedure set forth in HSH's LOSP Manual[2]. Any proposed deviation(s) from a pro rata cost split between LOSP and the operating budget are subject to review and approval by OCII and MOHCD, and must be justified by the Developer.

b. Refining the supportive services plan and budget for review and approval by OCII and HSH, and working with HSH to finalize a supportive services contract for the Project.

c. Exploring partnerships and identifying additional resources to serve such as in-home health services, nursing, and other wellness resources to supplement on-site resident services and address the needs of the senior population.

d. Securing and maintaining an SOS grant agreement in accordance with the parameters, process, and timeframe set forth in the SOS Policies and Procedures Manual as published by MOHCD.

Community Commercial Loan Agreement

To be more competitive for tax credits, the Developer structured the Project's financing to exclude $3 million for the construction of the Community Commercial Project from the development budget. If approved by Commission, OCII and CCDC Transbay 2 Commercial will enter into a Community Commercial Loan Agreement with a term of 55 years and an interest rate of 0%. Under the terms of the Commercial Loan Agreement, OCII will disburse funds to CCDC Transbay 2 Commercial for construction and operation of the Community Commercial Project. The final amount of funding allocated to the Commercial Loan Agreement may be adjusted prior to execution based on final project costs and to maximize tax credit equity to the Project (subject to any adjustment being included in the FFP confirmation letter approved by the OCII Executive Director and MOHCD Director and without increasing total OCII Subsidy for the Project).

The Commercial Loan Agreement closing and funds disbursement are subject to conditions established in the Loan Evaluation and Commercial Loan Agreement (see Section 3.12). Key conditions, amongst other standard MOHCD and OCII loan agreement conditions, include:

[2] Execution of the LOSP grant agreement is anticipated in Spring/Summer 2025, pursuant to the timeframe set forth in the LOSP Manual.

Commercial Loan Agreement Key Conditions

a. Submit an updated Commercial Space Plan to OCII that documents further outreach to prospective tenants, describes racial equity efforts and expected outcomes, and outlines plans to achieve community benefits pursuant to the Community Commercial Services Agreement. The updated Commercial Space Plan shall include a third-party prepared market study. In addition, the updated Commercial Space Plan shall include an analysis of resources available to fund tenant improvements such as, but not limited to, programs from the Office of Economic Workforce and Development ("OEWD").
b. Based on findings from the updated Commercial Space Plan and market study as referenced above, provide a recommended tenant improvement allowance responsive to current market conditions and anticipated tenant uses and related improvement cost estimates for OCII review and approval. The final tenant improvement allowance will be included as an attachment to the OCII commercial loan agreement.
c. Following initial lease-up and a period of stabilized commercial occupancy, pursue a permanent commercial loan to reimburse OCII's commercial loan to the extent feasible.

Ground Lease Terms

The intent of the Ground Lease is to ensure the long-term affordability and viability of the Project. OCII currently owns the Project site and will maintain ownership through the construction period. The Developer is seeking to enter into the Residential Ground Lease and Commercial Ground Lease (each with a 75-year term and an option for an additional 24-year extension), which would allow the Developer to construct, and thereafter own and operate the Project (buildings) on the Project site (OCII retains ownership of the land). The ground leases require the Developer to construct the Project in compliance with applicable approvals and approved documents, and they require OCII approval of any proposed changes to the construction plans after construction has commenced. Staff will continue to monitor progress on the Project until completion.

Once the Project is complete, OCII will transfer its fee interest (land) in the Project site, together with OCII's interest in the Project Agreements, to MOHCD as the Housing Successor Agency. MOHCD will perform long-term asset management and ensure compliance with the terms of the Project Agreements.

Residential Ground Lease

Transbay 2 Senior, L.P. will maintain ownership of the Residential Project which will be subject to annual rent as established in the Residential Ground Lease. The Residential Project's annual rent will be equal to $1,530,744 (10% of the unrestricted value of the Residential Project site) and will consist of: 1) a base rent of $15,000, which is paid out of the Residential Project's annual operating expenses and accrues if not paid, and 2) a residual rent that is equal to the annual rent less the $15,000 base rent. Residual rent is paid to OCII only if there is surplus cash after the Residential Project pays all of its operating expenses and does not accrue if not paid. This structure allows OCII/MOHCD to collect rent if there is sufficient cash flow without affecting the financial stability of the Project. Upon transfer of the Project to MOHCD, residual rent will be paid to MOHCD.

As shown in the table below, the Residential Project includes 24 units at 30% MOHCD AMI, 66 units at 50% MOHCD AMI, and 60 units at 60% MOHCD AMI. As noted above, SOS units will be restricted at 60% MOHCD AMI, consistent with the SOS Program Policies and Procedures Manual, however, the units will be marketed to households at 15%/25% MOHCD AMI (prospective tenants will income qualify and pay their rent at the 15%/25% AMI levels).To the extent that projected cash flow can support it, OCII is requiring the Developer to continue refining the income levels for the non-subsidized units and seek to include units at a 40% AMI tier, with the intention of maximizing opportunities for Certificate of Preference holders ("COP"). Any adjustments to the AMI tiering will be balanced to ensure that cash flow remains positive for the first 20 years of operation. Final AMI tiering will be reflected in the Final Financial Plan.

Unit Size	No. of Units (% of Units)	Maximum Income Level	Rent or Operating Subsidy
Studio	8 (5%)	50%	LOSP
Studio	10 (7%)	30%	None
Studio	5 (3%)	50%	None
Studio	8 (5%)	60%	SOS
Studio	8 (5%)	60%	SOS
1BR	22 (15%)	50%	LOSP
1BR	14 (9%)	30%	none
1BR	31 (21%)	50%	None
1BR	22 (15%)	60%	SOS
1BR	22 (15%)	60%	SOS
2BR	1	Manager's Unit	none

Commercial Ground Lease

CCDC Transbay 2 Commercial LLC will maintain ownership of the Community Commercial Project which will be subject to ground rent as established in the Commercial Ground Lease. The ground rent will consist of: 1) a base rent of $1.00 per year, and 2) a percentage rent that is equal to 40% of the annual net commercial cash flow, being commercial income minus commercial project expenses. Percentage rent is paid only after full repayment of the Community Commercial Loan. The less-than-fair-market-value rent is necessary to ensure the continued and successful operation of the Community Commercial Project.

The Community Commercial Project includes 2,933 square feet of commercial space divided into three commercial units as shown in the table below. Leases for each Community Commercial Unit must provide a direct benefit to the community in which the Project is located, consistent with the Declaration of Restrictions, including for Public Benefit Use or Community Serving Use as defined in the MOHCD Commercial Underwriting Guidelines. While specific tenants have not yet been confirmed, pursuant to loan conditions in the Community Commercial Loan, the Developer will provide an updated Commercial Leasing Plan as a Commercial Loan closing condition and endeavor to secure letters of intent for the community commercial units prior to the close of construction financing. Commercial leasing preferences will be given to Small Business Enterprises.

Community Commercial Unit	Size	Features	Target Uses
Unit A	1,421 sf	Infrastructure to accommodate a type 1 hood for cooking	Restaurant serving affordable food or a social enterprise restaurant
Unit B	905 sf	Infrastructure to accommodate a type 2 hood for cooking	Bakery, fitness use, affordable salon, nonprofit use
Unit C	619 sf	Infrastructure to accommodate a type 2 hood for cooking	Café, pizza or sandwich shop, community exercise space

Marketing and Leasing Preferences

The Project's target population are COP holders and their descendants who are seniors (age 62+) with 30 units set aside for occupancy by formerly homeless seniors, referred to the Project by HSH through the Coordinated Entry System and subsidized by the LOSP, and 60 units set aside to serve extremely low-income seniors with operating support from the SOS program. With the exception of the 30 LOSP-supported units, occupancy priorities will follow the Redevelopment Plan and also include Displaced Tenant Housing Preference ("DTHP") and Neighborhood Residential Housing Preference ("NRHP") pursuant to April 16, 2019 Commission action, as follows: 1) COP and their descendants; 2) DTHP for 20% of the units; 3) NRHP for 40% of the units; and 4) San Francisco Residents or Workers. However, OCII and MOHCD will work with HSH to identify COP holders within the coordinated entry system and provide them with first priority for the LOSP-supported units.

EQUAL OPPORTUNITY AND COMPLIANCE WITH OCII POLICIES

The Developer is required to comply with OCII's Nondiscrimination in Contracts, Minimum Compensation and Health Care Accountability policies and will work closely with OCII Contract Compliance staff to meet OCII's Small Business Enterprise ("SBE") Program goals on the Project. The Project is exceeding OCII's 50% SBE participation goal for professional services contracts. To date, the Project has achieved 88.3% SBE participation. Of the total awards, 83.7% went to San Francisco-based SBEs, 9% to Minority-owned Business Enterprises and 65.9% to Women-owned Business Enterprises.

The Developer has selected Swinerton Builders and Rubecon Builders (a minority-owned San Francisco-based SBE) joint venture as the general contractor for the Project. During the construction phase, the Developer is committed to complying with OCII's requirements and goals which includes the 50% SBE construction subcontracting participation goal, payment of prevailing wages and the 50% local construction workforce hiring goal.

Please see Attachment 7 for the SBE Consultant Summary and Attachment 8 for the biographies of select participating SBE firms.

RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE ("ROPS") AUTHORITY

The requested Amended and Restated Loan Agreement and Community Commercial Loan Agreement funding amounts are included in the approved ROPS 22-23 under line item number 413.

COMMUNITY OUTREACH

The Transbay Citizens Advisory Committee ("CAC") has received regular status reports on predevelopment activities on Block 2 since the RFP issuance in 2020. In August 2022, OCII staff along with the Block 2 Co-Developers presented an informational overview of the Project, focused on the housing and retail programs as well as resident transportation strategies. On September 8, 2022, the Transbay CAC voted unanimously to recommend that the Commission approve the schematic design documents for the Project and Family Project and related approvals. On October 12, 2023, OCII staff along with the Block 2 Co-Developers presented an informational update on the Project.

In addition to the Transbay CAC and public hearings, the Block 2 Co-Developers have presented the Project at meetings of the East Cut Community Benefits District and IDEATE (a local resident group), and have been in communication with residents of Natalie Gubb Commons (a nearby existing OCII affordable housing development) and with the South Beach/Rincon Hill Neighborhood Association. The Block 2 Co-Developers will continue community outreach as the Project progresses.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

On June 15, 2004, the Board of Supervisors affirmed, by Motion No. 04-67, the certification under CEQA of the Final Environmental Impact Statement/Environmental Impact Report for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project ("FEIS/EIR"), which analyzed the environmental effects of the Transbay redevelopment project and its affiliated transportation improvements. Subsequently, the Board of Supervisors adopted, by Resolution No. 612-04 (October 7, 2004), findings that various actions related to the project complied with CEQA and the Former Agency Commission adopted, by Resolution No. 11-2005 (January 25, 2005), findings and a statement of overriding considerations and mitigation and monitoring program adopted in accordance with CEQA. Subsequent to the certification of the FEIS/EIR, ten addenda have been issued and incorporated into the analysis of the FEIS/EIR. The tenth addendum to the FEIS/EIR, issued under Resolution No. 39-2022 (November 1, 2022), specifically analyzed the environmental effects of the Project and the Family Project. Commission authorization of the Project Agreements, facilitate the development of the Project and are within the scope of the Transbay redevelopment project analyzed in the FEIS/EIR and its subsequent addenda, and thus require no additional environmental review pursuant to CEQA Guidelines Sections 15180, 15162, 15163, and 15164 for the following reasons:

1. Implementation of the Project Agreements 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 Project Agreements will have significant effects not discussed in the FEIS/EIR; (ii) significant environmental effects will be substantially more sever; (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 FEIS/EIR will substantially reduce one or more significant effects on the environment that would change the conclusions set forth in the FEIS/EIR.

STAFF RECOMMENDATION AND NEXT STEPS

The Project's City bond issuance documents were introduced by Mayor London Breed and Supervisor Matt Dorsey at the Board of Supervisors ("BOS") meeting on January 9, 2024:

1. Final approval is being considered at the February 13, 2024 BOS meeting.
2. Construction financing is anticipated to close on February 29, 2024.
3. Construction will commence immediately after, prior to the March 4, 2024 CDLAC allocation expiration.
4. Construction is scheduled to be complete by June 2026.
5. After full occupancy of the Project in 2026/2027, the land and Project Agreements will begin to be transferred to MOHCD as the Housing Successor Agency under Dissolution Law.

(Originated by Jasmine Kuo, Development Specialist)

DocuSigned by:
Thor Kaslofsky
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Thor Kaslofsky
Executive Director

Attachment 1: Map of Transbay Project Area
Attachment 2: Amended and Restated Loan Agreement
Attachment 3: Ground Lease
Attachment 4: Community Commercial Loan Agreement
Attachment 5: Commercial Ground Lease
Attachment 6: Citywide Affordable Housing Loan Committee Loan Evaluation dated April 7, 2023
Attachment 7: SBE Consultant Summary
Attachment 8: Consultant Biographies