

1 [Real Property Acquisition, Ground Lease Agreement - Construction of Affordable Housing -
2 MERCY HOUSING CALIFORNIA XLIV - 1180-4th Street]

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4 **Resolution: 1) authorizing the Mayor's Office of Housing as Successor Housing**
5 **Agency to the Redevelopment Agency to exercise an Agency Purchase Option for**
6 **Block 8711, Lot No. 14, also known as 1180-4th Street located within the Mission Bay**
7 **South Redevelopment Project Area pursuant to that certain Mission Bay South Owner**
8 **Participation Agreement and Memorandum of Option between the Redevelopment**
9 **Agency and FOCIL-MB, LLC; 2) approving and authorizing a long term ground lease to**
10 **MERCY HOUSING CALIFORNIA XLIV, a California limited partnership, for a term of 75**
11 **years with a 24 year extension option, under San Francisco Charter Section 9.118, for**
12 **the development and operation of affordable housing; and 3) making findings that the**
13 **acquisition and lease is in conformance with CEQA, the City's General Plan, and the**
14 **priority policies of Planning Code Section 101.1.**

15 WHEREAS, FOCIL-MB, LLC a Delaware limited liability company ("FOCIL") and the
16 San Francisco Redevelopment Agency ("Agency") previously entered into that certain Mission
17 Bay South Owner Participation Agreement dated November 16, 1998 and recorded on
18 December 3, 1998 in the Official Records of the City and County of San Francisco as
19 Document #98-G477258 (the "South OPA") with respect to the designation and development
20 of the area known as the Mission Bay South Redevelopment Project Area; and

21 WHEREAS, Pursuant to the South OPA, FOCIL is required to designate certain
22 property within the Mission Bay South Redevelopment Project Area as Agency Affordable
23 Housing Parcels, and to grant to the Agency an option, on specific terms and conditions, to
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1 acquire such Agency Affordable Housing Parcels for the development and construction of
2 affordable housing units; and,

3 WHEREAS, The Site was designated as an Affordable Housing Parcel and on June 22,
4 2007, FOCIL and the Agency executed and recorded a Memorandum of Option granting the
5 Agency a purchase option to acquire fee title to the Site (the "Option"), a copy of which is on
6 file with the Clerk of the Board of Supervisors under File No. _____; and

7 WHEREAS, On March 30, 2009, FOCIL transferred the Site to Mercy Housing
8 California XLIV, a California limited partnership ("Mercy") in order to satisfy site control for the
9 specific purpose of securing State funding to develop 150 units of affordable family housing
10 on the Site (the "Project"); and,

11 WHEREAS, The proposed Project will be the new construction of 150 family units
12 comprised of 1, 2, and 3 bedroom units which will serve households with incomes no higher
13 than 50% Area Median Income (as determined by the U.S. Department of Housing and Urban
14 Development and as calculated by the Mayor's Office of Housing), with 25 units set aside for
15 previously homeless families (the "Occupancy Restrictions"); and,

16 WHEREAS, As part of the transfer of the Site to Mercy, Mercy acknowledged that it
17 was acquiring fee title to the Site subject to the Agency's Option, with the understanding
18 that prior to closing the construction financing for the Project, the Agency would exercise
19 the Option, acquire Mercy's fee interest to the Site, and concurrently ground lease the Site
20 back to Mercy for development of the Project; and

21 WHEREAS, In order to implement that transaction, the Agency and Mercy executed
22 a long-term ground lease that would become effective on the date the Agency obtained fee
23 title to the Site (the "Original Lease"), a copy of which is on file with the Clerk of the Board
24 of Supervisors in File _____; and,

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1 WHEREAS, The Lease includes: (i) a term of 75 years, with an extension option of 24
2 years; (ii) annual base rent in the amount of Fifteen Thousand Dollars (\$15,000); and (iii) the
3 Occupancy Restrictions; and,

4 WHEREAS, Pursuant to the Lease, prior to recordation of the Memorandum of Lease
5 and delivery of possession of the Site to Mercy, Mercy must obtain Board of Supervisors
6 approval of the Lease; and,

7 WHEREAS, Under California State Assembly Bill No. 1X 26, adopted by the California
8 Legislature on June 15, 2011, the Agency was dissolved as of February 1, 2012; and

9 WHEREAS, Under Resolution No. 11-12, adopted by the Board of Supervisors and
10 Mayor as of January 26, 2012, the Mayor's Office of Housing ("MOH") was designated as the
11 successor housing agency to the Agency and was authorized to manage all of the Agency's
12 affordable housing assets and to exercise the housing functions that the Agency previously
13 approved; and,

14 WHEREAS, The Site is a housing asset within the meaning of California State
15 Assembly Bill No. 1X 26 and Resolution No. 11-12; and,

16 WHEREAS, On November 2, 1998 this Board of Supervisors approved Ordinance
17 No.335-98, a copy of which is on file with the Clerk of the Board in File No.98-1441,in which
18 this Board adopted environmental findings pursuant to the California Environmental Quality
19 Act ("CEQA") for the overall redevelopment plan for the Mission Bay South Redevelopment
20 Project Area, and adopted the Planning Commission's findings with respect to the conformity
21 of the overall redevelopment plan for the Mission Bay South Redevelopment Project Area with
22 the City's General Plan and the Eight Priority Policies of Planning Code Section 101.1, the
23 terms of which are hereby incorporated into this Resolution; and

1 WHEREAS, MOH, as the successor housing agency, is now ready to exercise the
2 Option to acquire the Site, thereby satisfying FOCIL's obligation under the South OPA and
3 allowing Mercy to close the construction financing for the Project; and,

4 WHEREAS, In connection with MOH's acquisition of the Site, MOH and Mercy desire
5 to amend and restate the Original Lease to address, amongst other things, the dissolution of
6 the Agency, in substantially the form of the amended and restated ground lease on file with
7 the Clerk of the Board of Supervisors in File _____ (the "Lease"); now, therefore, be it

8 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
9 hereby finds that the exercising of the Option to acquire the Site is consistent with the General
10 Plan and with the Eight Priority Policies of City Planning Code 101.1 for the same reasons as
11 set forth in Ordinance 335-98, the terms of which are hereby incorporated into this Resolution;
12 and, be it

13 FURTHER RESOLVED, That in accordance with the recommendations of the Director
14 of Property and the Director of MOH, the Board of Supervisors hereby approves the exercise
15 of the Option and acquisition of the Site, and authorizes the Director of Property , along with
16 the Director of the Mayor's Office of Housing, to accept a grant deed of the Site from Mercy,
17 release FOCIL from its obligations under the South OPA with respect to the Site, and to take
18 any and all actions necessary or appropriate to complete such transactions; and, be it

19 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Lease
20 and authorizes MOH, through its Director, to finalize negotiations for the Lease and
21 following negotiations for the Lease authorizes the Director of Property and the Director of
22 MOH to execute and deliver the Lease; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
24 Property and the Director of MOH, in consultation with the City Attorney, to enter into any
25 additions, amendments or other modifications to the Lease (including, without limitation, the

1 attachment of exhibits) that the Director of MOH and Director of Property determine, in
2 consultation with the City Attorney, are in the best interest of the City, that do not decrease
3 revenues to the City in connection with the Project, or otherwise materially increase the
4 obligations or liabilities of the City, are necessary or advisable to complete the transaction
5 contemplated in the South OPA, and effectuate the purpose and intent of this Resolution,
6 and are in compliance with all applicable laws, including the City's Charter.

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8 RECOMMENDED:

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11 _____
12 MOH Director

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14 _____
15 Acting Director of Property