

AMENDED IN COMMITTEE

7/12/18

FILE NO. 180686

RESOLUTION NO.

1 [Option to Ground Lease and Ground Lease - 735 Davis Senior, L.P. - 735 Davis Street -
2 Ground Lease \$15,000 Annual Base Rent]

3 **Resolution approving and authorizing the execution of an Option to Ground Lease for a**
4 **term to commence following Board approval through June 30, 2019, with a 12-month**
5 **extension, providing 735 Davis Senior, L.P. the right to ground lease the City owned**
6 **parcel located at 735 Davis Street (Assessor’s Parcel Block No. 0140, Lot No. 008)**
7 **(“Property”) with annual base rent of \$15,000 for a term of 75 years with one 24-year**
8 **extension option, in order to construct a 100% affordable, 53-unit multifamily rental**
9 **housing development for low-income to moderate-income seniors and formally**
10 **homeless seniors; adopting findings that the ground lease is consistent with the**
11 **General Plan, and the eight priority policies of Planning Code, Section 101.1; adopting**
12 **the Mitigation Measures and Improvement Measures Monitoring and Reporting**
13 **Program; and authorizing and directing the Acting Director of Property and Director of**
14 **Mayor’s Office of Housing and Community Development to execute any documents,**
15 **make certain modifications, and take necessary actions to implement this Resolution,**
16 **as defined herein.**

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18 WHEREAS, Pursuant to Resolution _____, the Board of Supervisors authorized the
19 transfer of the City owned parcel located at 735 Davis Street (Assessor’s Parcel Block No.
20 0140, Lot No. 008) (the “Property”) from the Department of Public Works to the Mayor’s Office
21 of Housing and Community Development (MOHCD) under Administrative Code, Section
22 23.13 for the purpose of development new affordable housing; and

23 WHEREAS, MOHCD will use the Property for an 100% affordable housing project with
24 approximately 52 units for low-income to moderate-income seniors and formally homeless
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1 seniors and one manager’s unit (the “Davis Project”) as required under Administrative Code,
2 Section 23.13; and

3 WHEREAS, In 2015, MOHCD issued a Request for Proposal (RFP), seeking
4 submittals from qualified respondents to develop the City-owned parcel as affordable senior
5 rental housing, including units serving formerly homeless seniors; and

6 WHEREAS, BRIDGE Housing Corporation, a California nonprofit public benefit
7 corporation (“BRIDGE”), in collaboration with and the John Stewart Company, a California
8 corporation (“JSCo”), jointly responded to the RFP and was selected to be the developer for
9 the Property; and

10 WHEREAS, BRIDGE and JSCo established a separate entity named 735 Davis
11 Senior, L.P., a California limited partnership (“Sponsor”) under which to lease the Property
12 and develop the Davis Project; and

13 WHEREAS, In conjunction with the Davis Project, BRIDGE and JSCo will also jointly
14 develop a 100% affordable housing project with approximately 124 units for low-income to
15 moderate-income families and one manager’s unit on land owned by the Port of San
16 Francisco and adjacent to the Davis Project (together with the Davis Project, the “Project”)

17 WHEREAS, MOHCD desires to provide Sponsor with an Option to Ground Lease,
18 which provides the Sponsor the right to lease the Property substantially in the form of Ground
19 Lease set forth in Exhibit B of the Option (“Option”) and the material terms as follows: a term
20 of 75 years with an extension option for 24 additional years; tenant shall be responsible for all
21 property taxes and assessments levied against the Property; the Property shall be used
22 during the term of the ground lease only for affordable housing with maximum rent and
23 income levels set at no greater than HUD adjusted 60% area median income (“AMI”); the
24 annual rent shall be set at 10% of fair market value of the land as determined by an MAI
25 appraiser prior to execution of the Ground Lease (the “Rent”); Rent shall consist of an annual

1 base rent of Fifteen Thousand Dollars (\$15,000) (the “Base Rent”) and the remainder in
2 residual rent, which shall be payable only to the extent proceeds are available from the
3 Project at all times thereafter; and

4 WHEREAS, The Option will expire on June 30, 2019, with an extension option
5 for one additional 12-month period, and

6 WHEREAS, An appraisal dated June 24, 2018, valued the Property at
7 \$4,300,000 without entitlements; and

8 WHEREAS, MOHCD and the Acting Director of Property have approved the Option to
9 Ground Lease and attached form of Ground Lease, and a copy of the Option to Ground Lease
10 in substantially the form approved is on file with the Clerk of the Board of Supervisors in File
11 No. 180686, and is incorporated herein by reference; and

12 WHEREAS, MOHCD desires to provide the Sponsor with financial assistance to
13 leverage equity from an allocation of low-income housing tax credits and other funding
14 sources in order for Sponsor to construct the Project; and

15 WHEREAS, In order to consummate the transfer and ground lease of the Property, the
16 Board of Supervisors desires to authorize the execution, delivery and performance of the
17 Option and, if the Sponsor exercises the Option, the Ground Lease (collectively, the
18 “Transaction Documents”); and

19 WHEREAS, The Department of City Planning (“Planning Department”) prepared a
20 Draft Initial Study/Preliminary Mitigated Negative Declaration (PMND) and Mitigation
21 Monitoring and Reporting Program (MMRP) for the Project and published the Draft PMND
22 and MMRP for public review on October 25, 2017, and which were available for public
23 comment until November 27, 2017; and

24 WHEREAS, The Planning Commission held a public hearing on the PMND and found
25 that the contents of the PMND and the procedures through which the PMND was prepared,

1 publicized, and reviewed complied with the California Environmental Quality Act (California
2 Public Resources Code Sections 21000 et seq.) (CEQA), 14 California Code of Regulations,
3 Sections 15000 et seq. (the “CEQA Guidelines”) and Chapter 31 of the San Francisco
4 Administrative Code (“Chapter 31”) and finalized the PMND (the Final MND); and

5 WHEREAS, On March 9, 2018, the Environmental Review Officer signed the Final
6 MND (FMND) for the Project and the Final MND was issued in compliance with CEQA, the
7 CEQA Guidelines and Chapter 31; and

8 WHEREAS, On May 3, 2018, the Planning Director found the FMND was adequate,
9 accurate and objective, reflected the independent analysis and judgment of the Planning
10 Director, and adopted the FMND and the MMRP, and authorized the Project in the Affordable
11 Housing Project Authorization; and

12 WHEREAS, The Historic Preservation Commission approved with conditions the
13 Certificate of Appropriateness (Motion No. 0335) for the Project on April 4, 2018, on file with
14 the Clerk of the Board of Supervisors in File No. 180686, and incorporated herein by this
15 reference; and

16 WHEREAS, the Planning Department Commission Secretary is the custodian of record
17 for the file for Case No. 2016- 007850PRJ at 1650 Mission Street, Suite 400, San Francisco,
18 California; and

19 WHEREAS, The FMND and the MMRP has been made available to the public and the
20 Board of Supervisors for its review and action and which is on file with the Clerk of the Board
21 of Supervisors in File No. 180686, and incorporated herein by this reference, and the MMRP
22 will be an enforceable condition of the Ground Lease; and

23 WHEREAS, By letter dated June 15, 2018, the Planning Department adopted and
24 issued a General Plan Consistency Finding, a copy of which is on file with the Clerk of the
25 Board Supervisors in File No. 180686, and incorporated herein by this reference, wherein the

1 Planning Department found that the acquisition of the Property are consistent with the City's
2 General Plan, and with the eight priority policies under Planning Code, Section 101.1; now,
3 therefore, be it

4 RESOLVED, That the Board of Supervisors hereby finds that the Option to Ground
5 Lease and the form of Ground Lease are consistent with the General Plan, and with the eight
6 priority policies of Planning Code, Section 101.1 for the same reasons as set forth in the letter
7 of the Planning Department, dated June 15, 2018, and hereby incorporates such findings by
8 reference as though fully set forth in this Resolution; and, be it

9 FURTHER RESOLVED, That the Board of Supervisors has reviewed and considered
10 the FMND and the record as a whole, finds that the FMND is adequate for its use as the
11 decision-making body for the Project, that there is no substantial evidence that the Project will
12 have a significant effect on the environment with the adoption of the measures contained in
13 the MMRP to avoid potentially significant environmental effects associated with the Project;
14 and, be it

15 FURTHER RESOLVED, That the Board of Supervisors hereby adopts the MMRP
16 incorporated herein as part of this Resolution by this reference thereto and finds that all
17 required mitigation measures identified in the Final MND and contained in the MMRP will be
18 included in the ground lease between MOHCD/the Port and the Tenant; and, be it

19 FURTHER RESOLVED, That in accordance with the recommendation of the Acting
20 Director of Property and the Director of MOHCD, the Board of Supervisors approves the
21 Transaction Documents, and authorizes the Acting Director of Property (or his designee) and
22 the Director of MOHCD (or her designee) to execute and deliver the Transaction Documents
23 and any such other documents that are necessary or advisable to complete the transaction
24 contemplated by the Transaction Documents, including the Ground Lease (if the Sponsor
25 exercises the Option); and, be it

1 FURTHER RESOLVED, That the Board of Supervisors authorizes the Acting Director
2 of Property (or his designee) and the Director of MOHCD (or her designee), in consultation
3 with the City Attorney, to enter into any additions, amendments or other modifications to the
4 Option and, if the Option is exercised, the Ground Lease, and any other documents or
5 instruments necessary in connection therewith, that the Acting Director of Property and the
6 Director of MOHCD determine are in the best interests of the City, do not materially decrease
7 the benefits to the City with respect to the Property, do not materially increase the obligations
8 or liabilities of the City, and are necessary or advisable to complete the transaction
9 contemplated therein and that effectuate the purpose and intent of this Resolution, such
10 determination to be conclusively evidenced by the execution and delivery by the Acting
11 Director of Property (or his designee) and the Director of MOHCD (or her designee) of any
12 such additions, amendments, or other modifications; and, be it

13 FURTHER RESOLVED, That all actions authorized and directed by this Resolution
14 and heretofore taken are hereby ratified, approved and confirmed by this Board of
15 Supervisors.

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Kate Hartley
Director of Mayor's Office of Housing and Community Development

Andrico Penick
Acting Director of Property