

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

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

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

20 WHEREAS, Pursuant to the South OPA, FOCIL is required to designate certain
21 property within the Mission Bay South Redevelopment Project Area as Agency Affordable
22 Housing Parcels, and to grant to the Agency an option, on specific terms and conditions, to
23 acquire such Agency Affordable Housing Parcels for the development and construction of
24 affordable housing units; and
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1 WHEREAS, The Site was designated as an Affordable Housing Parcel and on June 22,
2 2007, FOCIL and the Agency executed and recorded a Memorandum of Option granting the
3 Agency a purchase option to acquire fee title to the Site (the "Option"), a copy of which is on
4 file with the Clerk of the Board of Supervisors under File No. 120572; and

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

9 WHEREAS, The proposed Project will be the new construction of 150 family units
10 comprised of 1, 2, and 3 bedroom units which will serve households with incomes no higher
11 than 60% Area Median Income (as determined by the U.S. Department of Housing and Urban
12 Development and as calculated by the Mayor's Office of Housing), with 25 units set aside for
13 previously homeless families (the "Occupancy Restrictions"); and

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

19 WHEREAS, In order to implement that transaction, the Agency and Mercy executed
20 a long-term ground lease that would become effective on the date the Agency obtained fee
21 title to the Site (the "Original Lease"), a copy of which is on file with the Clerk of the Board
22 of Supervisors in File 120572; and

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

1 WHEREAS, Pursuant to the Lease, prior to recordation of the Memorandum of Lease
2 and delivery of possession of the Site to Mercy, Mercy must obtain Board of Supervisors
3 approval of the Lease; and

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

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

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

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

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

24 WHEREAS, In connection with MOH's acquisition of the Site, MOH and Mercy desire
25 to amend and restate the Original Lease to address, amongst other things, the dissolution of

1 the Agency, in substantially the form of the amended and restated ground lease on file with
2 the Clerk of the Board of Supervisors in File 120572 (the "Lease"); now, therefore, be it

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

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

14 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Lease
15 and authorizes MOH, through its Director, to finalize negotiations for the Lease and
16 following negotiations for the Lease authorizes the Director of Property and the Director of
17 MOH or his designee, to execute and deliver the Lease; and, be it

18 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
19 Property and the Director of MOH, in consultation with the City Attorney, to enter into any
20 additions, amendments or other modifications to the Lease (including, without limitation, the
21 attachment of exhibits) or any easement agreements that the Director of MOH and Director
22 of Property determine, in consultation with the City Attorney, are in the best interest of the
23 City, that do not decrease revenues to the City in connection with the Project, or otherwise
24 materially increase the obligations or liabilities of the City, are necessary or advisable to
25 complete the transaction contemplated in the South OPA, and effectuate the purpose and

1 intent of this Resolution, and are in compliance with all applicable laws, including the City's
2 Charter.

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RECOMMENDED:

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MOH Director

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Acting Director of Property

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