

Commission on Community Investment and Infrastructure

RESOLUTION NO. 10-2013

Adopted April 16, 2013

AUTHORIZING, PURSUANT TO THE TRANSBAY IMPLEMENTATION AGREEMENT AND OPTION AGREEMENT, THE EXECUTIVE DIRECTOR TO EXERCISE AN OPTION TO PURCHASE BLOCKS 6/7 (BLOCK 3738, LOT 004), LOCATED ON FOLSOM STREET BETWEEN FREMONT AND BEALE STREETS, FROM THE TRANSBAY JOINT POWERS AUTHORITY AND TO EXECUTE A DISPOSITION AND DEVELOPMENT AGREEMENT WITH GOLUB REAL ESTATE CORP., AN ILLINOIS CORPORATION, AND MERCY HOUSING CALIFORNIA, A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION, FOR A PROPOSED RESIDENTIAL PROJECT WITH 409 MARKET-RATE AND 70 AFFORDABLE UNITS ON BLOCK 6, AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; TRANSBAY REDEVELOPMENT PROJECT AREA

WHEREAS, The California Legislature in 2003 enacted Assembly Bill 812 ("AB 812") authorizing the demolition of the historic Transbay Terminal building and the construction of the new Transbay Transit Center (the "TTC") (Stat. 2003, Chapter 99, codified at § 5027.1 of the Cal. Public Resources Code). AB 812 also mandated that 25% of the residential units developed in the area around the Center "shall be available to" low income households, and an additional 10% "shall be available to" moderate income households if the City and County of San Francisco (the "City") adopted a redevelopment plan providing for the financing of the Center; and,

WHEREAS, In 2003, in an agreement with the Transbay Joint Powers Authority ("TJPA") and the City, the State agreed to transfer approximately 10 acres of State-owned property (the "State-owned parcels") in and around the then-existing Transbay Terminal to the City and the TJPA, which would then sell the State-owned parcels and use the revenues from the sales to finance the Center (the "Cooperative Agreement"). The City agreed, among other things, to commit property tax revenue through its Redevelopment Agency to the Center. Under the Cooperative Agreement, the State relied on tax increment financing under a redevelopment plan to improve and sell the parcels; and,

WHEREAS, The Board of Supervisors of the City and County of San Francisco approved a Redevelopment Plan for the Transbay Redevelopment Project Area (the "Project Area") by Ordinance No. 124-05, adopted on June 21, 2005 and by Ordinance No. 99-06, adopted on May 9, 2006 (the "Redevelopment Plan"). The Redevelopment Plan provided for the financing of the TTC and established a program for the Redevelopment Agency of the City and County of San Francisco (the "Former Agency") to redevelop and revitalize the blighted Project Area; and,

WHEREAS, In 2006, the TJPA and the Former Agency executed an agreement ("Implementation Agreement"), which required the Former Agency to take the lead role in facilitating the development of the State-owned parcels. Specifically,

the Implementation Agreement required the Former Agency to: (1) prepare and sell the State-owned parcels to third parties, (2) deposit the sale proceeds into a trust account to help the TJPA pay the cost of constructing the TTC, (3) implement the Redevelopment Plan to enhance the financial feasibility of the Project, and (4) fund the state-mandated affordable housing program; and,

WHEREAS, In 2008, the City, the Former Agency and the TJPA entered into an agreement that granted options to the Former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increment to the TJPA to use for the Center (the “Option Agreement”). The Option Agreement provided the means by which the Former Agency could fulfill its obligations under the Implementation Agreement to prepare and sell the State-owned parcels. The Option Agreement granted to the Former Agency “the exclusive and irrevocable option to purchase” the former State-owned parcels in the Project Area that are programmed for development, which are listed in the Option Agreement, including Blocks 2-12 and Parcel F (Section 2.1 of the Option Agreement at p. 4); and,

WHEREAS, On July 6, 2011, pursuant to the Implementation Agreement, the Former Agency issued a Request for Proposals (the “RFP”) from development teams to design and develop a high-density, mixed-income residential project on Blocks 6/7 in the Project Area. On December 6, 2011, after a competitive selection process, the Former Agency Commission authorized staff to enter into negotiations for the development of Blocks 6/7 with the development team lead by Golub Real Estate Corp. (“Golub”) and Mercy Housing California (“Mercy”), along with Solomon Cordwell and Buenz (“SCB”) as the lead architect for the market-rate component of the development and Santos Prescott and Associates (“Santos Prescott”), a small business enterprise, as the architect for the affordable component; and,

WHEREAS, On February 1, 2012, the Former Redevelopment Agency was dissolved pursuant to the provisions of California State Assembly Bill No. 1X 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) (“AB 26”), codified in relevant part in California’s Health and Safety Code Sections 34161 – 34168 and upheld by the California Supreme Court in California Redevelopment Assoc. v. Matosantos, No. S194861 (Dec. 29, 2011). On June 27, 2012, AB 26 was subsequently amended in part by California State Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”). (Together, AB 26 and AB 1484 are referred to as the “Redevelopment Dissolution Law.”); and,

WHEREAS, Pursuant to the Redevelopment Dissolution Law, all of the Former Redevelopment Agency’s assets (other than housing assets) and obligations were transferred to the Office of Community Investment and Infrastructure (“OCII”), as Successor Agency to the Former Agency. Some of the Former Agency’s housing assets were transferred to the City, acting by and through the Mayor’s Office of Housing (“MOH”); and,

WHEREAS, Redevelopment Dissolution Law authorizes successor agencies to enter into new agreements if they are “in compliance with an enforceable obligation that existed

prior to June 28, 2011.” Cal. Health & Safety Code § 34177.5 (a). Under this limited authority, a successor agency may enter into contracts if a pre-existing enforceable obligation requires that action. See also Cal. Health & Safety Code § 34167 (f) (providing that the Redevelopment Dissolution Law does not interfere with an agency’s authority under enforceable obligations to “enforce existing covenants and obligations, or . . . perform its obligation.”). The Implementation Agreement and several other Transbay obligations are “enforceable obligations” requiring OCII to take the actions proposed by this Resolution. Cal. Health & Safety Code § 34171 (d) (1); and,

WHEREAS, Under Redevelopment Dissolution Law, a successor agency may request that the Department of Finance (“DOF”) “provide written confirmation that its determination of [a] enforceable obligation as approved in a Recognized Obligation Payment Schedule [“ROPS”] is final and conclusive.” Cal. Health & Safety Code § 34177.5 (i). To be eligible for a final and conclusive determination, the enforceable obligation must provide for the “irrevocable commitment of property tax revenue and . . . the allocation of such revenues is expected to occur over time.” Id. If DOF issues a final and conclusive determination, DOF will not question the existence of the enforceable obligation in the future, but may still review whether specific payments under the enforceable obligation, as appearing on a ROPS, “are required,” Id.; and

WHEREAS, On November 7, 2012, the Successor Agency submitted a request to DOF that it determine “finally and conclusively” that the Transbay Implementation Agreement, AB 812, and the Transbay Redevelopment Project Tax Increment Allcoate and Sales Proceeds Pledge Agreement (“Pledge Agreement”) are enforceable obligations. The request explained that each of these obligations had previously appeared on a DOF-approved ROPS, that they met the statutory definition of an “enforceable obligation” and that they required the commitment of property tax revenue over time; and

WHEREAS, On April 15, 2013, DOF determined “finally and conclusively” that the Implementation Agreement, AB 812, and the Pledge Agreement are enforceable obligations that will not require additional DOF review in the future. Significantly, the effect of this DOF determination is to allow OCII to take the actions proposed under this Resolution, without additional review, because they are “in compliance with an enforceable obligation,” Cal. Health & Safety Code § 34177.3; and,

WHEREAS, The original proposal from Golub/Mercy included a purchase price of \$30,000,000, 545 residential units (409 market-rate units, including 61 inclusionary units and 136 stand-alone affordable units), and a requested subsidy from the Former Agency for the stand-alone affordable units of approximately \$200,000 per unit. However, due to the dissolution of the Former Agency on February 1, 2012, and the challenges that created for funding the affordable component of the development, the original proposal from Golub/Mercy was revised; and,

WHEREAS, Under the revised proposal, Blocks 6/7 will include a total of 556 residential units, as well as ground-floor retail, shared open space and underground parking. Based on this revised proposal, OCII staff negotiated the terms of a disposition and development agreement (the "DDA") with Golub/Mercy for the sale of Blocks 6/7 and the development of Block 6 with 409 market-rate units, 70 affordable units, shared open space, and a shared underground parking garage. The DDA, however, does not cover the development of Block 7, which includes 77 affordable units, a child care facility and shared open space, because it will be constructed at a future date by Mercy, when additional affordable housing funding becomes available; and,

WHEREAS, Approval of the DDA requires OCII to acquire Blocks 6/7 from the TJPA pursuant to the Option Agreement. If the Successor Agency exercises the option for Blocks 6/7, it will deliver written notice to the TJPA and acquire Blocks 6/7 prior to close of escrow with Golub under the DDA. Golub will acquire all of Blocks 6/7 from OCII then subdivide the larger parcel into separate parcels, including Block 6 and Block 7. Once the properties are subdivided, Block 7 will be reconveyed to OCII for development at a later date, subject to a separate agreement between OCII and Mercy. The DDA provides that, prior to its development, OCII will permit Golub and Mercy to use Block 7 for staging related to the construction of Block 6, pursuant to a license agreement that will be executed at a future date; and,

WHEREAS, On April 20, 2004, the Former Agency Commission adopted Resolution No. 45-2004, certifying the Final Environmental Impact Statement/Environmental Impact Report (the "Final EIS/EIR") for the Transbay Redevelopment Project, and on January 25, 2005 adopted Resolution No. 11-2005, adopting findings under the California Environmental Quality Act ("CEQA"), a Statement of Overriding Considerations and a Mitigation Monitoring and Reporting Program in connection with the adoption of the Redevelopment Plan. The Board of Supervisors and the City Planning Commission adopted similar findings. Because the Final EIS/EIR includes evaluation of the new Transbay Transit Center, the TJPA also adopted environmental findings; and,

WHEREAS, The Final EIS/EIR includes by reference a number of addenda. The addenda include the following:

- a. Addendum #1 – adopted by the TJPA on June 2, 2006, assessed the additional use of the temporary Transbay Terminal by Greyhound, another transit carrier; and,
- b. Addendum #2 – adopted by the TJPA on April 19, 2007, assessed modifications of the rail tracks and underground tunnels leading to the new Transit Center; and,
- c. Addendum #3 – adopted by the TJPA on January 17, 2008, evaluated the addition of 546 Howard Street to the Transit Center; and,

- d. Addendum #4 – adopted by the TJPA on October 17, 2008, evaluated the configuration, boarding platforms and passenger waiting areas, and bus staging areas of the temporary Terminal, and associated modifications to bus lanes on surrounding streets; and,
- e. Addendum #5 – adopted by the TJPA on April 9, 2009, evaluated the building design of the new Transit Center; and,
- f. Addendum #6 – adopted by the TJPA on December 8, 2011, evaluated minor refinements to the proposed bus ramp component of the Transit Center; and,

WHEREAS, In adopting each Addendum, the TJPA determined that modifications to the Project would not require subsequent environmental review and would not require major revisions to the Final EIS/EIR; and,

WHEREAS, The Final EIS/EIR is a program EIR under CEQA Guidelines Section 15168 and a redevelopment plan EIR under CEQA Guidelines Section 15180. The Final EIS/EIR is also a project EIR under CEQA Guidelines Section 15161 for certain structures and facilities, including the Temporary Terminal. The development of approximately 556 units of market-rate and affordable housing on Transbay Blocks 6/7 is an undertaking pursuant to and in furtherance of the Redevelopment Plan in conformance with CEQA Sections 15180 and 15168; and,

WHEREAS, OCII staff has reviewed the DDA and related actions for Transbay Blocks 6/7 and finds the proposed actions to be Implementing Actions to facilitate construction of market-rate and affordable housing on Transbay Blocks 6/7 and within the scope of the Project analyzed in the Final EIS/EIR and subsequent addenda and no additional environmental review is required pursuant to State CEQA Guidelines Sections 15180 and 15168; and,

WHEREAS, OCII staff, in making the necessary findings for the Implementing Actions contemplated herein, considered and reviewed the Final EIS/EIR and addenda, has made documents related to the Implementing Actions, the Final EIS/EIR, and addenda available for review by the Commission on Community Investment and Infrastructure (“CCII”) and the public, and these files are part of the record before CCII; and,

WHEREAS, The Final EIS/EIR findings and statement of overriding considerations adopted in accordance with CEQA by the Agency Commission by Resolution No. 11-2005 dated January 25, 2005 were and remain adequate, accurate and objective and are incorporated herein by reference as applicable to the Implementing Actions; now therefore, be it

RESOLVED, The Office of Community Investment and Infrastructure finds and determines that authorizing the Executive Director to exercise an option to purchase Blocks 6/7 and approving the DDA as Implementing Actions within the scope of the project analyzed in the Final EIS/EIR and Addenda and require no additional

environmental review pursuant to State CEQA Guidelines Sections 15180, 15168, 15162 and 15163 for the following reasons:

- a. The Implementing Actions are within the scope of the project analyzed in the Final EIS/EIR and Addenda and no major revisions are required due to the involvement of new significant environmental effects or a substantial increase in the severity of significant effects previously identified in the Final EIS/EIR;
- b. No substantial changes have occurred with respect to the circumstances under which the project analyzed in the Final EIS/EIR and Addenda was undertaken that would require major revisions to the Final EIS/EIR due to the involvement of new significant environmental effects, or a substantial increase in the severity of effects identified in the Final EIS/EIR; and,
- c. No new information of substantial importance to the project analyzed in the Final EIS/EIR and Addenda has become available which would indicate that (a) the Implementing Actions will have significant effects not discussed in the Final EIS/EIR; (b) significant environmental effects will be substantially more severe; (c) mitigation measures or alternatives found not feasible which would reduce one or more significant effects have become feasible; or (d) mitigation measures or alternatives which are considerably different from those in the Final EIS/EIR will substantially reduce one or more significant effects on the environment.

RESOLVED, Based on the Department of Finance's Final and Conclusive Determination (April 15, 2013) that the Implementation Agreement is an enforceable obligation, the Office of Community Investment and Infrastructure, acting as the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, hereby authorizes the Executive Director to: (1) exercise an option to purchase Blocks 6/7 (Block 3738, Lot 004), located on Folsom Street between Fremont and Beale Streets, from the Transbay Joint Powers Authority pursuant to the Option Agreement; and (2) execute a Disposition and Development Agreement with Golub Real Estate Corp., an Illinois corporation, and Mercy Housing California, a California non-profit, substantially in the form approved by the City Attorney acting as counsel to OCII, and to execute any related documents.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of April 16, 2013.

Natasha Coney
Commission Secretary