

1 [Ground Lease - Redevelopment Agency Land - 25 Essex Street, Commonly Known as Rene  
2 Cazenave Apartments]

3 **Resolution approving and authorizing the Redevelopment Agency of the City and**  
4 **County of San Francisco to execute a lease of land at 25 Essex Street, Assessor's**  
5 **Block No. 3749, Lot No. 064, southeast corner of Folsom and Essex Streets, commonly**  
6 **known as Rene Cazenave Apartments, in the Transbay Redevelopment Project Area, to**  
7 **25 Essex L.P., a California limited partnership, for 75 years for the purpose of**  
8 **developing housing for very low-income formerly homeless residents.**

9  
10 WHEREAS, The Redevelopment Agency of the City and County of San Francisco  
11 (Agency) and the City desire to increase the City's supply of affordable housing and  
12 encourage affordable housing development through financial and other forms of assistance;  
13 and

14 WHEREAS, The City-owned parcel, which will be transferred to the Agency, located at  
15 25 Essex Street, the southeast corner of Folsom and Essex Streets, Assessor's Block No.  
16 3749, Lot No. 064, San Francisco, California, commonly known as Rene Cazenave  
17 Apartments (Site), in the Transbay Redevelopment Project Area, is an underutilized lot  
18 currently improved by a surface parking lot (Project); and

19 WHEREAS, The Agency Commission selected Folsom Essex, LLC, a California limited  
20 liability corporation and affiliate of Community Housing Partnership and BRIDGE Housing, to  
21 develop and operate the Project as housing units for very low-income formerly homeless  
22 residents, and Folsom Essex, LLC subsequently formed 25 Essex, L.P. (Developer) to act as  
23 owner of the building, consistent with the Project's funding requirements; and

24 WHEREAS, The Agency has provided Developer with financial assistance to leverage  
25 equity from an allocation of low-income housing tax credits and other funding sources in order

1 to construct 119 affordable supportive housing units, one manager unit, common and support  
2 service space, and neighborhood-serving commercial space, which financing require that the  
3 Developer demonstrate site control; and

4 WHEREAS, The Agency has proposed a long-term ground lease agreement (Ground  
5 Lease) with the Developer to allow the Developer to construct and operate improvements on  
6 the Site while allowing the Agency to ensure that the affordability of the housing is maintained  
7 over the long term; and

8 WHEREAS, The Agency Commission approved a Disposition and Development  
9 Agreement ("DDA"), with an attached form of the Ground Lease, which requires the Agency to  
10 ground lease the Site to the Developer on the satisfaction of certain pre-conditions that will be  
11 satisfied by the Developer and the Agency prior to construction closing. The DDA was  
12 approved by the Agency Commission on October 19, 2010, and executed by both parties,  
13 prior to the June 28, 2011 date that AB x1 26 (the "Redevelopment Dissolution Act") became  
14 effective and therefore the Agency is obligated to enter into the Ground Lease, pursuant to the  
15 DDA, as an "Enforceable Obligation" under Ca. Health and Safety Code Section 34167(d)(5);  
16 and,

17 WHEREAS, The Developer's annual rent obligation for the Site shall be \$1.00, payable  
18 from operating income as long as the City is providing an operating subsidy through the Local  
19 Operating Subsidy Program (LOSP); and

20 WHEREAS, Pursuant to the Transbay Redevelopment Plan, the Board of Supervisors  
21 shall approve the sale or lease of any property acquired by the Agency pursuant to the  
22 Transbay Option Agreement in a manner consistent with the standards and procedures that  
23 govern the Agency's disposition of property acquired with tax increment moneys and that  
24 appear in Section 33433 of the California Community Redevelopment Law; and

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1           WHEREAS, Notice of the public hearing has been published consistent with Health and  
2 Safety Code Section 33433; and

3           WHEREAS, The Agency prepared and submitted a report consistent with the  
4 requirements of Section 33433 of the Health and Safety Code, including a copy of the  
5 proposed Ground Lease, and a summary of the transaction describing the cost of the Ground  
6 Lease to the Agency, the value of the property interest to be conveyed, the lease price and  
7 other information was made available for the public inspection; now, therefore, be it

8           RESOLVED, That the Board of Supervisors of the City and County of San Francisco  
9 does hereby find and determine that the lease of the Property from the Agency to 25 Essex,  
10 L.P., a California limited partnership: 1) will provide housing for very low-income formerly  
11 homeless residents; 2) is consistent with the implementation plan for the Transbay  
12 Redevelopment Project Area adopted pursuant to Section 33490 of the California Health and  
13 Safety Code; 3) achieves affordability for very low-income households through the proposed  
14 structure of the lease, including an annual rent value of \$1 plus \$751,999, payable from  
15 “surplus cash,” or operating income that is in excess of operating expenses; and 4) includes  
16 consideration to be received by the Agency that is not less than the fair reuse value at the use  
17 and with the covenants and conditions and developments costs authorized by the Ground  
18 Lease; and, be it

19           FURTHER RESOLVED, That the Board of Supervisors hereby approves and  
20 authorizes the Agency to execute the Ground Lease of the Property from the Agency to 25  
21 Essex, L.P., a California limited partnership, substantially in the form of the Ground Lease  
22 lodged with the Agency General Counsel, and to take such further actions and execute such  
23 documents as are necessary to carry out the Ground Lease on behalf of the Agency.

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