

File No. 250264

Committee Item No. 7

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Transportation

Date: April 7, 2025

Board of Supervisors Meeting:

Date: _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
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| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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OTHER

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Mission Rock Housing Plan – March 19, 2025</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>PORT Resolution No. 25-17 – March 11, 2025</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Mayor's Intro Memo – March 18, 2025</u> |
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Prepared by: John Carroll

Date: April 3, 2025

Prepared by: _____

Date: _____

Prepared by: _____

Date: _____

1 [Housing Plan Amendments - Mission Rock Project - Seawall Lot 337]

2
3 **Resolution approving an amendment of the Mission Rock Housing Plan to reduce the**
4 **minimum percentage of inclusionary affordable housing units per Phase of the Mission**
5 **Rock Project at Seawall Lot 337, bounded by China Basin Channel, Third Street,**
6 **Mission Rock Street and San Francisco Bay.**

7
8 WHEREAS, In January 2018, by Resolution No. 18-03, the Port Commission approved
9 the terms of a Disposition and Development Agreement (“DDA”) between the Port and the
10 Seawall Lot 337 Associates, LLC, a Delaware limited liability company (“Developer”), and
11 related transaction documents that are incorporated into the DDA, including the “Housing
12 Plan” that requires Developer to provide below market rate units affordable to low- and
13 moderate-income households, for the development of approximately 28-acres located along
14 the Port’s Central Waterfront and commonly referred to as “Mission Rock” (the “Project”),
15 comprised of (1) Seawall Lot 337, bounded by Third Street on the west, Mission Rock Street
16 on the south, Pier 48 to the east, and China Basin Park on the north; (2) Pier 48; (3) China
17 Basin Park; (4) the marginal wharf between Pier 48 and Pier 50; and (5) Parcel P20
18 (collectively, the “Site”); Capitalized terms not otherwise defined herein shall have the
19 meaning set forth in the Appendix to the DDA; and

20 WHEREAS, In February 2018, the Board of Supervisors approved the DDA by
21 Resolution No. 42-18, and approved the Development Agreement for the Project by
22 Ordinance No. 33-18; and

23 WHEREAS, On April 4, 2019, the Developer submitted its “Phase Submittal” for
24 “Phase 1” of the Project, (the “Phase 1 Phase Submittal”), which was accepted by Port staff
25 as complete and in compliance with the DDA; and

1 WHEREAS, The Port executed that certain Lease No. L-16703 (Mission Rock –
2 Phase 1, Parcel A/Lot 1) with an affiliate of Developer, Mission Rock Parcel A Owner, L.L.C.
3 (“Tenant”), dated as of October 6, 2020 (the “Parcel A Lease”), as evidenced by that certain
4 Memorandum of Lease, dated as of October 6, 2020, by Port and Tenant, and recorded in the
5 Official Records on October 7, 2020 as Document Number 2020027130; and

6 WHEREAS, The Parcel A Lease documents the Developer’s and Tenant’s initial
7 dedication of units that are affordable to low- and moderate-income households (“BMR” units)
8 in Parcel A based on the Phase 1 Phase Submittal; and

9 WHEREAS, The leasing trends for Parcel A BMR units remain consistent since
10 June 2023: lower-income BMR units are leased while some moderate-income units remain
11 vacant for lack of demand, as described in two memoranda to the Port Commission dated
12 April 5, 2024, and dated March 7, 2025; and

13 WHEREAS, In February 2025, the Developer submitted to Port a revised Phase 1
14 Phase Submittal that would modify the number of and eligibility for the BMR units in Parcel A,
15 which would reduce the number of BMR units, increase the number of market-rate units, and
16 increase the number of BMR units available to households with lower incomes as described
17 below; and

18 WHEREAS, The February 2025 Phase 1 Phase Submittal would increase the number
19 of BMR units available to households with incomes less than or equal to 90% of the area
20 median income (AMI) from 10 units to 19 units; maintain 54 units available to households with
21 incomes equal to and less than 120% of AMI; and, eliminate the number of BMR units
22 available to households with incomes equal to or less than 150% of AMI from 38 units to zero
23 units; and

24 WHEREAS, Some 120%- and 150%-AMI BMR units are occupied by income-eligible
25 households, and Developer and Tenant propose to further lower the AMI eligibility for some

1 occupied units and commit that, upon approval: (1) current tenant households will be allowed
2 to remain in the BMR units notwithstanding new income-eligibility requirements, (2) those
3 tenants will receive reduced rents based on the lowered AMI eligibility restrictions, and (3)
4 only upon vacancy will the lower household income eligibility take effect; and

5 WHEREAS, The changes to the Parcel A BMR unit count and income eligibility in the
6 February 2025 Phase 1 Phase Submittal would result in 73 of 283 units restricted as BMR
7 units (i.e., 26% of Parcel A units as BMR); and

8 WHEREAS, The changes to the Parcel A BMR unit count and income eligibility in the
9 February 2025 Phase 1 Phase Submittal, in conjunction with the Parcel F BMR program
10 approved in April 2024, would result in 132 of 537 units restricted as BMR units for Phase 1
11 overall (i.e., 24.6% of all Phase 1 residential units as BMR); and

12 WHEREAS, The Housing Plan, which is attached to the DDA as Exhibit B5, requires
13 Developer to restrict no less than 30% of all residential units delivered in each Project Phase
14 as BMR units; and

15 WHEREAS, Accepting the February 2025 Phase 1 Phase Submittal and implementing
16 the proposed changes to the BMR units in Parcel A would require amending the Housing Plan
17 to reduce the percentage of residential units restricted as BMR units per Project Phase to no
18 less than 20% from the original 30% (the "Housing Plan Amendment"); and

19 WHEREAS, The Mayor's Office of Housing and Community Development recommends
20 approval of the Housing Plan Amendment; and

21 WHEREAS, The Port Commission adopted Resolution No. 25-17 approving the
22 Housing Plan Amendment, in addition to amendments to implementing documents, including
23 the declaration of restrictions, Parcel A Lease and any other necessary documents, subject to
24 approval by the Board of Supervisors; and

1 WHEREAS, The actions contemplated in this resolution are within the scope of the
2 project, for which the Port Commission by Resolution No. 18-06 on January 30, 2018, and the
3 Board of Supervisors by Ordinance No. 33-18 on March 6, 2018, respectively, affirmed the
4 Planning Commission's certification of the Final Environmental Impact Report for the Seawall
5 Lot 337 and Pier 48 Mixed-Use Project (Planning Commission Motion No. 20018) and made
6 findings in accordance with the California Environmental Quality Act (California Public
7 Resources Code section 21000 et. seq.) and Administrative Code, Chapter 31, which
8 Resolutions are incorporated herein by reference; now, therefore, be it

9 RESOLVED, That the Board of Supervisors approves the Housing Plan Amendment to
10 reduce the minimum percentage of BMR units restricted per Phase of the Project from 30% to
11 20% and to update the form declaration of restrictions in substantially the form on file with the
12 Clerk of the Board of Supervisors in File No. 250264; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors acknowledges that subsequent
14 to approval of the Housing Plan Amendment, the Executive Director of the Port will execute
15 amendments to the Parcel A Lease, and any and all other documents reasonably necessary
16 to reflect the February 2025, Phase 1 Phase Submittal and its modifications to the number
17 and income-eligibility levels of the BMR units in Parcel A as described in this resolution,
18 including but not limited to a declaration of restrictions and memorandum of amendment to the
19 parcel lease, and to record such documents as may be necessary.

DDA EXHIBIT B5

“Housing Plan”

DDA EXHIBIT B5

DISPOSITION AND DEVELOPMENT AGREEMENT

(MISSION ROCK)

HOUSING PLAN

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ATTACHMENTS

Exhibit A –	Form of Declaration of Restrictions
Exhibit A	Legal Description of the Property
Exhibit B	Plans for Inclusionary Units
Exhibit B –	Form Housing Data Table

MISSION ROCK HOUSING PLAN SUMMARY¹

The development plan for Mission Rock under the Transaction Documents provides for the development of approximately 1,000 to 1,950 Residential Units. This housing plan (the "Housing Plan") provides that not less than 40% of the Residential Units that may be developed at the Project Site will be below market rate units Affordable to low and moderate income households or TAY Units ("Inclusionary Units"). The parties anticipate that all Inclusionary Units will be built by Vertical Developers in concert with Market-Rate Units within private market-rate development projects. As discussed below, the Port shall convey land to Vertical Developers to develop all Residential Units on the Project Site. The Inclusionary Units will be constructed and rented in accordance with this Housing Plan.

Developer will submit Phase Submittals to the Port pursuant to the Transaction Documents. Following each Phase Approval, the Port will authorize the Chief Harbor Engineer to issue Port permits necessary for Developer to begin to construct the Horizontal Improvements in accordance with the DDA and the Master Lease. Upon exercise of an Option in accordance with the DDA, the Port will convey each Residential Parcel through Parcel Leases to a Vertical Developer. A Vertical Developer will construct the Vertical Improvements, including Residential Parcels and Inclusionary Units therein, in accordance with the Parcel Lease and Vertical DDA. Inclusionary Units within the Vertical Improvements will be constructed in accordance with this Housing Plan. While the Developer will retain certain flexibility and discretion to respond to market conditions as to each Phase and Vertical Improvement, the Project is required by the DDA to comply with certain Inclusionary Housing Milestones by Phase Approval regarding the types, sizes, locations, level of affordability and percentage of the Inclusionary Units.

Developer and the Port will designate the general location of potential Residential Parcels, which will be distributed throughout the Project Site in accordance with a generalized Phasing Plan. The Inclusionary Units are expected to include a range of Residential Unit types, including transition age foster youth ("TAY") units. Each Vertical Developer will retain the discretion to determine the type of Inclusionary Units to be constructed so long as such units are consistent with the Phase Approval and contain the same unit mix (i.e. studio, 1 bedroom, 2 bedroom, or 3 bedroom) or a larger bedroom mix as the Market-Rate Units in that particular Vertical Improvement.

A variety of private and public funding sources may be used to finance the Inclusionary Units, including, but not limited to, low-income housing tax credits, the Jobs/Housing Equivalency Fees, tax-exempt housing bonds, and various other local, State and Federal sources of funding.

The foregoing summary is provided for convenience and for informational purposes only. In case of any conflict, the provisions of the DDA, the Housing Plan, and each Vertical DDA shall control.

1. DEFINITIONS.

Initially capitalized terms unless separately defined in this Housing Plan have the meanings and content set forth in the DDA. Terms defined in the DDA and also set forth in this Section are provided herein for convenience only.

1.1. Affordable, Affordability, or Affordable Housing Cost. means with respect to a Rental Unit, a monthly rental charge (including the Utility Allowance applicable to the Household Size of such Rental Unit) that does not exceed thirty percent (30%) of the maximum

¹ Defined terms in the Summary have the meaning set forth in this Housing Plan.

Area Median Income percentage permitted for the applicable type of Residential Unit, based upon Household Size.

1.2. Area Median Income or AMI means for the Inclusionary Units, unadjusted median income for the San Francisco area as published from time to time by the United States Department of Housing and Urban Development (HUD) adjusted solely for household size.

1.3. BMR Units has the meaning set forth in the Monitoring and Procedures Manual.

1.4. Declaration of Restrictions means a document or documents recorded against an Inclusionary Unit requiring that the Unit remain Affordable in accordance with the terms of this Housing Plan. The Declaration of Restrictions for the Rental Inclusionary Units shall be in the form attached hereto as Exhibit A.

1.5. Development Agreement has the meaning set forth in the DDA.

1.6. Financing Plan means the Financing Plan attached to the DDA.

1.7. Horizontal Improvements has the meaning set forth in the DDA.

1.8. Household Size means the total number of persons residing within a Residential Unit

1.9. Housing Data Table means the table attached here to as Exhibit B.

1.10. Housing Preferences and Lottery Procedures Manual means MOHCD's Housing Preferences and Lottery Procedures Manual dated March 31, 2017, as may subsequently be updated.

1.11. Implementing Manuals means the Housing Preferences and Lottery Procedures Manual and the Monitoring and Procedures Manual.

1.12. Inclusionary Milestone means the date of each Phase Submittal submittal.

1.13. Inclusionary Obligation has the meaning set forth in Section 3.1 of this Housing Plan.

1.14. Inclusionary Units means for a Rental Unit, a unit that is available to and occupied by households with incomes not exceeding One Hundred Fifty percent (150%) of Area Median Income and rented at an Affordable Housing Cost for households with incomes at or below One Hundred Fifty percent (150%) of Area Median Income, including TAY Units. The mechanism for setting the maximum Affordable Housing Cost and income level for each Inclusionary Unit is set forth in Section 3 of this Housing Plan. For clarity, Developer anticipates that Inclusionary Units will be built within private market-rate development projects, subject to Section 3.5.

1.15. Jobs/Housing Equivalency Fee has the meaning set forth in the Development Agreement.

1.16. Marketing and Operations Plan has the meaning set forth in Section 3.9 of this Housing Plan.

1.17. Market-Rate or Market-Rate Unit means a Residential Unit constructed on a Residential Parcel that has no restrictions under this Housing Plan or the DDA with respect to Affordable Housing Cost levels or income restrictions for occupants.

1.18. Minimum Affordable Percentage has the meaning set forth in Section 2.1 of this Housing Plan.

1.19. MOHCD shall mean the City of San Francisco's Mayor's Office of Housing and Community Development or any successor agency.

1.20. Monitoring and Procedures Manual means the City and County of San Francisco's Inclusionary Affordable Housing Program Monitoring and Procedures Manual, dated May 10, 2013, as may be subsequently updated.

1.21. Option has the meaning set forth in the DDA.

1.22. Parking Space means a parking space constructed in the Parking Garage by or on behalf of Developer.

1.23. Phase has the meaning set forth in the DDA.

1.24. Phase Approval has the meaning set forth in the DDA.

1.25. Phase Submittal has the meaning set forth in the DDA.

1.26. Project Site has the meaning set forth in the DDA.

1.27. Residential Parcel has the meaning set forth in the DDA.

1.28. Residential Unit means a room or suite of two or more rooms that is designed for residential occupancy for 32 consecutive days or more, including provisions for sleeping, eating and sanitation, for not more than one family, and may include senior and assisted living facilities.

1.29. Section 415 means San Francisco Planning Code Section 415 et seq.

1.30. Schedule of Performance has the meaning set forth in the DDA.

1.31. Vertical DDA shall have the meaning in the DDA.

1.32. Vertical Developer shall have the meaning set forth in the DDA.

1.33. Vertical Improvement is defined in the DDA.

2. HOUSING DEVELOPMENT

2.1. Development Program. Vertical Developers may develop approximately 1,000 to 1,950 Residential Units on the Project Site. At Project build-out, the number of the Inclusionary Units developed on the Project Site shall be equal to forty percent (40%) of the total number of the Residential Units that are developed on the Project Site (the "Minimum Affordable Percentage"). The Parties understand and agree that Vertical Developers' right to construct the number of Residential Units specified in this Housing Plan is absolute and is based on the total number of Residential Units entitled under the DDA, Phase Approvals, and Vertical DDAs.

2.2. Development Process.

(a) Subject to the terms of the DDA, the Project shall be developed in a series of Phases. The DDA includes a process for Developer's submittal of Phase Submittals and the Port's review and approval of Phase Submittals. The anticipated order of development of the Phases is set forth in the Phasing Plan and the Schedule of Performance, subject to revision in accordance with the procedures set forth in the DDA.

(b) Developer will submit Phase Submittals to the Port pursuant to the Transaction Documents. Following each Phase Approval, the Port will authorize the Chief Harbor Engineer to issue Port permits necessary for Developer to begin to construct the approved Horizontal Improvements in accordance with the DDA and the Master Lease. Upon exercise of an Option in accordance with the DDA, the Port will convey each Residential Parcel through Parcel Leases to each Vertical Developer.

(c) Simultaneously with the Closing of each Parcel Lease, the Port, in consultation with MOHCD, and the Vertical Developer will enter into a Vertical DDA which will include a commitment by the Vertical Developer to construct its Vertical Improvements within a specific timeframe coordinated with the approved Schedule of Performance in the Phase

Submittal. The Vertical DDA will be substantially in a form agreed upon by the Port and Developer following the execution of the DDA and shall specify, among other things (i) the number of Market-Rate Units allowed to be constructed on the Residential Parcel, (ii) the minimum number of Inclusionary Units to be constructed on the Residential Parcel (consistent with Section 3.3 of this Housing Plan), (iii) the Affordability level of each Inclusionary Unit (consistent with Section 3.1 of this Housing Plan), (iv) the location of the Inclusionary Units before recordation of the Declaration of Restrictions as set forth in Section 3.6 of this Housing Plan, and (v) the approximate unit type and size for each Inclusionary and Market-Rate Unit.

(d) Vertical Developers will have the flexibility to select the size and type of Residential Units, including the complete discretion to determine the unit mix for Market-Rate Units subject to the unit mix requirements of Section 3.3(e), and the applicable Vertical DDA and Parcel Lease.

(e) Developer shall submit the Housing Data Table with each Phase Submittal and the table will preliminarily identify the maximum number and location of Residential Units, including the number and location of anticipated Inclusionary Units, for each Residential Parcel within such submittal. Developer or the Port may request a revision to such number before execution of a Vertical DDA and the corresponding Parcel Lease conveying a Residential Parcel to a Vertical Developer, subject to the requirements of this Housing Plan and the DDA. The final details of the plan for the Inclusionary Units for each Residential Parcel shall be specified in the Parcel Lease and corresponding Vertical DDA. Vertical Developer may revise such numbers at any time after execution of a Vertical DDA and the corresponding Parcel Lease conveying a Residential Parcel to a Vertical Developer, subject to Port approval, in consultation with MOHCD, as required by the applicable Vertical DDA and Parcel Lease, as defined pursuant to Section 2.2(c), above.

(f) Subject to the terms of the applicable Vertical DDA and Parcel Lease, following receipt of all Vertical Approvals, the Vertical Developer may construct the applicable Vertical Improvements, and upon such construction, the Vertical Developer must include the number of Inclusionary Units for such Vertical Improvements as are set forth in the Vertical DDA and Parcel Lease.

2.3. Developer Land Conveyances.

(a) Housing Plan Compliance in Phase Submittals. This Housing Plan is intended to provide flexibility regarding delivery of Inclusionary Units within the Project Site, subject to the overall 40% Inclusionary Unit commitment. In order to track Developer's compliance with this Housing Plan, as part of the applicable Phase Submittal for a Residential Parcel, Vertical Developer shall submit a Project Housing Data Table, in the form of Exhibit B attached hereto, identifying the location of each Residential Parcel subject to the Phase Submittal, and containing the following information:

- (i) the parcel acreage;
- (ii) the number of Residential Units;
- (iii) the number and location of any Inclusionary Units, including the size, bedroom count, Household Size and amenities for each such Unit;
- (iv) the AMI Percentage of each Inclusionary Unit;
- (v) the type and square footage of uses that are not residential uses (e.g., retail, community space, open space); and
- (vi) the anticipated date for completion of the Residential Parcel.

(b) **Conveyance of Residential Parcels.** After exercising an Option, the Port will convey the applicable Residential Parcel to the applicable Vertical Developer through a Parcel Lease. The Port will also enter into a Vertical DDA and confirm or modify pursuant to Section 2.4, as applicable, the information provided in the Phase Approval regarding items 2.3(a)(1) above for the Vertical Improvement that is the subject of the Vertical DDA.

2.4. Changes to Phasing Approval. Developer may, from time to time, request changes, including material changes, to the Phasing Approval, including but not limited to regarding the size, location or composition of a Residential Parcel(s) within a Phase, with a brief explanation as to why Developer is requesting such change. Any material change shall be subject to the Port's review and approval, in consultation with MOHCD, provided that the Port will not withhold its approval of any such changes which are consistent with the DDA and this Housing Plan.

2.5. Maintenance of the Horizontal Infrastructure. Following completion and conveyance to the Port or other City agency, as determined by the parties, it is anticipated that a master association will maintain or cause to be maintained the Horizontal Improvements in accordance with the DDA.

3. INCLUSIONARY HOUSING REQUIREMENTS

3.1. Development of Inclusionary Units. Forty percent (40%) of all Residential Units shall be Inclusionary Units, with an Affordable Housing Cost to households with incomes not exceeding One Hundred Fifty percent (150%) of Area Median Income (the "Inclusionary Obligation"). The Inclusionary Obligation will be satisfied by developing Inclusionary Units at the following affordability levels:

Levels of Affordability	
% of Total Units	AMI Levels
2%	45%
10%	55%
4%	90%
17%	120%
7%	150%

3.2. Transition Age Youth Housing. The Housing Program includes 24 Inclusionary Units that shall be set aside to house persons transitioning out of public systems, such as the foster system, or homelessness (TAY Units). It is anticipated that the Vertical Developer developing the Residential Parcel that includes TAY Units will partner with a qualified non-profit services provider and, in consultation with such provider and the Port, in consultation with MOHCD, the City's Budget Office, and the City's Department of Homelessness and Supportive Housing ("HSH"), will establish TAY Unit requirements to govern the Vertical Developer's obligations regarding construction and operation of the TAY Units and any associated service space. TAY Units built on the Project Site shall qualify as Inclusionary Units for purposes of meeting the Minimum Affordable Housing Percentage and Inclusionary Housing Obligation and as Inclusionary Units meeting affordability levels of 45% and/or 55% AMI levels for the purposes of satisfying the Inclusionary Housing Obligation. Notwithstanding anything to the contrary in this Housing Plan, TAY Units may be grouped together in a single Residential

Parcel, among Market-Rate Units and other Inclusionary Units, for financing purposes and to maximize the efficient provision of on-site services to TAY Unit occupants.

3.3. Developer Flexibility. Developer shall have sole discretion to determine the exact number of Inclusionary Units to be developed on each Residential Parcel and the Affordability level of each Inclusionary Unit, provided that: (a) the Housing Data Table to be submitted with each Phase Submittal shall identify the location of the Residential Parcels containing Inclusionary Units, the number of Inclusionary Units, and the Inclusionary Unit allocation shall be in accordance with the Phase Approval, subject to any subsequent revisions in accordance with the DDA, (b) the cumulative number of all Inclusionary Units approved pursuant to a Phase Submittal shall at no time be less than twenty percent (20%) of the total Residential Units approved pursuant to such Phase Submittal; (c) the number of Inclusionary Units in each Vertical Improvement approved pursuant to a Phase Submittal shall be between twenty percent (20%) and sixty percent (60%) of the total Residential Units within such Vertical Improvement approved pursuant to a Phase Submittal; (d) Except for TAY Units, Affordability levels shall be appropriately distributed throughout the Project Site and Inclusionary Units consisting of Forty-Five percent (45%) and Fifty-Five percent (55%) Area Median Incomes shall not be grouped together or constructed in only the later phases of the Project, unless approved by Port, in consultation with MOHCD; (e) the unit mix of the Inclusionary Units must either (i) match the unit mix of the Market-Rate Units within a Vertical Improvement (this can be calculated by multiplying the number of any type of Market-Rate Unit (e.g., studio) by the required inclusionary percentage under the Vertical DDA), or (ii) be composed of larger units than the Market-Rate Units (for example, a Residential Parcel may contain 3 bedroom Inclusionary Units, but not 3 bedroom Market-Rate Units) and (f) Developer shall demonstrate that the Inclusionary Obligation has been or will be satisfied at each Inclusionary Milestone as set forth in Section 3.4 of this Housing Plan.

3.4. Inclusionary Milestones. Developer retains flexibility in the order of development of Residential Parcels within a Phase. The purpose of the Inclusionary Milestones is to advise the Port, MOHCD and the Developer, as part of any new Phase Submittal, regarding the overall status of Residential Parcel construction, including compliance with Inclusionary Obligations, which are consistent with the Inclusionary Housing obligations under previously approved Phase Submittals. Compliance with the Inclusionary Obligation at each Inclusionary Milestone shall be demonstrated by Developer providing the Port and MOHCD with information as follows: (a) a chart summarizing by Phase all Market-Rate and Inclusionary Units (including Affordability levels) approved to date, and describing construction and occupancy status as to each; and (b) a calculation of the cumulative percentages of Residential Units and Inclusionary Units constructed to date, by Phase and overall for the Project Site. During buildout of a Phase, interim conditions may dictate that the current number of units by Phase or cumulatively within the Project Site is less than twenty percent (20%) of the completed Residential Units by Phase or within the Project Site. If this is the case, then the Developer shall submit to the Port and MOHCD a plan summarizing the status of approved but not yet constructed projects on Residential Parcels, and include the plan for modifications to the prior Phase Approvals that will help to expedite development of the remaining Residential Parcels within the previously approved Phase(s). Developer's proposed plan shall be presented to the Port and MOHCD no later than thirty (30) days after the Inclusionary Milestone in which the Inclusionary Obligation was not met.

3.5. Variations. MOHCD, in consultation with the Port, may approve a Phase Submittal or Vertical DDA that does not comply with Section 3.3(c) or (d) if it determines that the proposed development will otherwise comply with this Housing Plan and such variance will allow a Vertical Developer to maximize available financing for the production and/or operation of Inclusionary Housing in the Project Site, such approval shall not be unreasonably withheld or delayed. By way of example only, it is anticipated that the TAY Units will be located in a single

building for purposes of service delivery, and depending on factors such as the building size and remaining unit mix, the Inclusionary Unit percentage within such building could exceed 60%. There may be other examples of similar circumstances where a special circumstance warrants a higher level of affordability in a building; however, it is generally the intent of the Parties to develop a Project composed of mixed income buildings and not create stand-alone affordable buildings.

3.6. Inclusionary Restrictions. The Port, in consultation with MOHCD, shall impose the Inclusionary Obligation on each Vertical Developer of a Residential Parcel. The obligation will be imposed in the Parcel Lease for the Residential Parcel and shall include any requirements pursuant to the DDA and the Vertical DDA.

3.7. Continued Affordability of Inclusionary Units. The Inclusionary Units required under this Housing Plan shall remain for rent for the term of the applicable Parcel Lease (i.e., 75 years) and such units will not be mapped for individual unit ownership, provided, however, that the Market-Rate Units may be mapped for individual unit ownership to allow such Market-Rate Units to be converted in the future. The prohibition on condominium conversion on the required Inclusionary Units shall be included in the applicable Vertical DDAs. No later than the issuance of a first construction document applicable to an Inclusionary Unit, the applicable Vertical Developer shall record against the Inclusionary Unit a Declaration of Restrictions substantially in the form attached hereto as Exhibit A. Vertical Developer shall, upon recordation, provide to the Port and MOHCD a copy of the applicable Declaration of Restriction.

3.8. Comparability. The Inclusionary Units required under this Housing Plan shall comply with the comparability requirements of Zoning Administrator Bulletin No. 10, dated December 2015, as may subsequently be updated, provided, however, that (a) the unit mix of the Inclusionary Units must not match the unit mix for the Project if the unit mix of the Inclusionary Units is composed of larger units than the Market-Rate Units (for example, a Residential Parcel may contain 3 bedroom Inclusionary Units, but not 3 bedroom Market-Rate Units), and (b) more than 50% of the units on any floor may be designated as Inclusionary Units in the case of the TAY Units, or as may be otherwise approved by the Port, in consultation with MOHCD.

3.9. Marketing and Operations Guidelines for Inclusionary Units. A Vertical Developer may not market or rent Inclusionary Units until MOHCD, in consultation with the Port, has approved the following for such Inclusionary Units for consistency with this Housing Plan and the Implementing Manuals: (a) the marketing plan (which includes any preferences determined pursuant to San Francisco Administrative Code Chapter 47; such preferences may include, but shall not be limited to, preferences for educators currently employed with the San Francisco Unified School District); (b) conformity of the rental charges for such Inclusionary Units with this Housing Plan; and (c) eligibility and income-qualifications of renters, together with any supplemental information required under the Implementing Manuals (collectively “Marketing and Operations Plan”). Such approval shall not be unreasonably withheld or delayed. The Vertical Developer that develops the TAY Units must work with HSH to create and implement a lease-up and occupancy plan (the “TAY Unit Occupancy Plan”). Vertical Developers shall submit the HSH-approved TAY Unit Occupancy Plan to the Port not later than one hundred twenty (120) days before the date Vertical Developer expects to begin marketing the Market Rate Units. The Port, in consultation with MOHCD and HSH, shall review and consider approval of the applicable plan in accordance with the Vertical DDA and this Housing Plan, provided, however, if the Port does not respond to Vertical Developer within sixty (60) days after receipt of the applicable plan, such plan will be deemed approved.

3.10. Planning Code Section 415 and Implementing Manuals. The provisions of this Housing Plan are hereby expressly deemed to satisfy the requirements of the San Francisco Inclusionary Affordable Housing Program and Section 415. The Parties agree and acknowledge that the Planning Department and MOHCD have established certain protocols for

implementation of Section 415 as set forth in the Implementing Manuals. Vertical Developers of Inclusionary Units shall comply, as applicable, with the rental program for BMR Units set forth in the Implementing Manuals, provided, however, that Developer may: (a) use other development subsidies to finance the construction of Inclusionary Units beyond those described in Section V.C of the Monitoring and Procedures Manual; and (b) establish an alternate pricing process, in consultation with the Port, including setting income levels and rents and establishing a methodology for maximum monthly rent levels consistent with the use of financing, other than the process described in Section III.C of the Monitoring and Procedures Manual, so long as the alternate pricing formula does not create affordability levels that exceed the levels set forth in Section 3.1 above. By complying with the provisions of this Housing Plan, Developer shall be deemed in full compliance with the Monitoring and Procedures Manual. Developer shall comply, as applicable, with the Housing Preferences and Lottery Procedures Manual, subject to modification in consultation with the Port, to address preferences and procedures related to TAY Units or educators or other preferences contemplated in Section 3.9.

4. FINANCING OF INCLUSIONARY UNITS

4.1. Funding Generally. The Inclusionary Units may be funded by a variety of private and tax-exempt funding sources, including, but not limited to, Vertical Developer equity, Jobs/Housing Equivalency Fees, low-income housing tax credits, tax-exempt housing bonds, and various other local, State and Federal sources of funding. Due to the nature of the Project, it is not possible to ascertain the exact funding sources for each Inclusionary Unit at the time of this Housing Plan. However, it is anticipated that several funding sources will be combined to fund the development of the Inclusionary Units. Additionally, it is anticipated that TAY Units will receive a local operating subsidy through the San Francisco Local Operating Subsidy Program (LOSP), and the Developer will work with HSH and the City's Budget Department to secure a LOSP commitment.

4.2. Jobs/Housing Equivalency Fees. The commercial development within the Project Site will generate Jobs/Housing Equivalency Fees to be paid into a housing fund held by the Port in accordance with the Financing Plan. In order to construct the Inclusionary Units required under this Housing Plan, all Jobs/Housing Equivalency Fees payable by Vertical Developers of commercial uses within the Project Site and paid into the affordable housing fund administered by the Port shall be used solely for predevelopment, development expenses and administrative costs associated with the acquisition and construction of Inclusionary Units within Residential Parcels in accordance with this Housing Plan, under the terms and conditions set forth in the Development Agreement.

5. VERTICAL DEVELOPMENT PARKING AND TRANSIT PROGRAM

5.1. Separation. For Residential Parcels, all Parking Spaces shall be "unbundled" (i.e., rented separately from a Unit within such Residential Parcel). It is anticipated that no Parking Spaces will be provided within a Residential Parcel. If Parking Spaces are provided within a Residential Parcel and offered to occupants of Residential Units, then such Parking Spaces shall be offered to occupants of Inclusionary Units on the terms and conditions set forth in the Monitoring and Procedures Manual. It is currently anticipated that all parking at the Project Site shall be within the Parking Garage, which will be operated by a Parking Garage operator. Occupants of Residential Units may choose to contract directly with the operator of the Parking Garage for parking at the Project site, but shall not be obligated to do so.

5.2. Transit Program. The Project will contain a comprehensive Transit Demand Management Plan which will manage travel through a variety of investments and programs applicable to the Inclusionary Units. The Project transit program may include, but shall not be limited to, providing residents of Market Rate Units and Inclusionary Units with pre-loaded Clipper Card, on-site bike sharing and bike parking, real-time transit information on screens

within the Project, car-share memberships, improved pedestrian walking conditions and assistance with local public transit.

6. NON-APPLICABILITY OF COSTA HAWKINS ACT

The Parties understand and agree that the Costa-Hawkins Rental Housing Act (California Civil Code sections 1954.50 et seq.; the "Costa-Hawkins Act") does not and in no way shall limit or otherwise affect the restriction of rental charges for the Inclusionary Units developed pursuant to the DDA and the Development Agreement (including this Housing Plan). The DDA falls within an express exception to the Costa-Hawkins Act because the DDA is a contract with a public entity in consideration for a direct financial contribution and other forms of assistance specified in Chapter 4.3 (commencing with section 65915) of Division 1 of Title 7 of the California Government Code. Accordingly, Developer, on behalf of itself and all of its successors and assigns, including all Vertical Developers, agrees not to challenge, and expressly waives, now and forever, any and all rights to challenge, Developer's obligations set forth in this Housing Plan related to Inclusionary Units, under the Costa-Hawkins Act, as the same may be amended or supplanted from time to time. Developer shall include the following language, in substantially the following form, in all Vertical DDAs:

"The DDA (including the Housing Plan) implements the California Infrastructure Financing District Law, Cal. Government Code §§ 53395 et seq. and City of San Francisco policies and includes regulatory concessions and significant public investment in the Project. The regulatory concessions and public investment include, without limitation, a direct financial contribution of net tax increment, the conveyance of real property without payment, and other forms of public assistance. These public contributions result in identifiable, financially sufficient and actual cost reductions for the benefit of Developer and Vertical Developers. In light of the Port's authority under Government Code Section 53395.3 and in consideration of the direct financial contribution and other forms of public assistance described above, the parties understand and agree that the Costa-Hawkins Act does not and shall not apply to the Inclusionary Units developed at the Project Site under the DDA."

The Parties understand and agree that the Authority would not be willing to enter into the DDA, without the agreement and waivers as set forth in this Section 6.

7. HOUSING PLAN IMPLEMENTATION AND ENFORCEMENT

Under the terms and conditions of the DDA, this Housing Plan is administered, monitored and enforced by the Port, in consultation with MOHCD. The Port shall consult with MOHCD regarding implementation of the Housing Plan, including but not limited to providing copies of each Phase Submittal including a Residential Parcel, and any submittals for material amendment thereto, to MOHCD for review and comment prior to Phase Approval. In addition, the Port and MOHCD contemplate that MOHCD will provide ongoing technical assistance and advice to the Port regarding Housing Program implementation, including but not limited to compliance review regarding Section 415, the Monitoring and Procedures Manual, and the Housing Preferences and Lottery Procedures Manual.

8. MISCELLANEOUS

8.1. No Third Party Beneficiary. Except to the extent set forth in the DDA, there are no express or implied third party beneficiaries to this Housing Plan.

8.2. Severability. If any provision of this Housing Plan, or its application to any Person or circumstance, is held invalid by any court, the invalidity or inapplicability of such provision shall not affect any other provision of this Housing Plan or the application of such

provision to any other Person or circumstance, and the remaining portions of this Housing Plan shall continue in full force and effect. Without limiting the foregoing, in the event that any applicable law prevents or precludes compliance with any term of this Housing Plan, the Parties shall promptly modify this Housing Plan to the extent necessary to comply with such law in a manner that preserves, to the greatest extent possible, the benefits to each of the Parties. In connection with the foregoing, the Parties shall develop an alternative of substantially equal, but not greater, cost and benefit to Developer and any applicable Vertical Developer so as to realize from the Project substantially the same (a) overall benefit (from a cost perspective) to the public and (b) overall benefit to Developer and any applicable Vertical Developer.

8.3. Approvals. Originally approved pursuant to Board of Supervisors Resolution 0052-18 and Port Commission Resolution 18-03. Revised pursuant to Board of Supervisors Resolution ____ - ____ and Port Commission Resolution ____ - ____.

EXHIBIT A

FORM DECLARATION OF RESTRICTIONS

Free Recording Requested
Pursuant to Government Code Section 27383

Recording requested by and
when recorded mail to:

Port of San Francisco
Pier 1
San Francisco, California 94111
Attn: _____

APN#:

Address:

-----Space Above This Line for Recorder's Use-----

DECLARATION OF RESTRICTIONS

[Property Address]

THIS DECLARATION OF RESTRICTIONS ("Declaration") is made as of ____, ____, by
[**LESSEE'S NAME IN BOLD, CAPITAL LETTERS.**], a [____ limited liability company]
("Lessee"), in favor of the **CITY AND COUNTY OF SAN FRANCISCO**, acting by and
through the San Francisco Port Commission (the "Port").

RECITALS

A. The Port entered into that certain Disposition and Development Agreement (the "DDA") with Seawall Lot 337 Associates, LLC, a Delaware limited liability company ("Developer") on ____, ____ governing the development of an approximately 16-acre parcel located in San Francisco south of Mission Creek/China Basin Channel, bordered by Third Street on the west, Mission Rock Street on the south, and Terry Francois Boulevard on the east (the "Mission Rock Project"). As part of the DDA, the Port and the Developer agreed to implement a housing plan that sets forth the obligations with respect to the delivery of affordable housing at the Mission Rock Project (the "Housing Plan"). The Port desires to impose certain restrictions described in the Housing Plan upon the development of the leasehold interest in the real property described in **Exhibit A** attached hereto and incorporated herein by reference (the "Property") with respect to the market-rate and inclusionary low-income housing depicted in **Exhibit B** attached hereto and incorporated herein (the "Residential Project"). Lessee and the Port entered

into that certain Vertical Disposition and Development Agreement dated as of ____, 20__ and that certain Parcel Lease on __, 20__ governing the development of the Residential Project, including the development of inclusionary low-income housing, as either may be amended from time to time (the “Vertical Agreements”). The Vertical Agreements are incorporated by reference in this Declaration as though fully set forth in this Declaration. Definitions and rules of interpretation set forth in the Vertical Agreements apply to this Declaration.

B. Pursuant to the Vertical Agreements, Lessee has agreed to comply with certain affordability and other use and occupancy restrictions (collectively, the “Regulatory Obligations”), commencing on the date on which a certificate of occupancy is issued for the Residential Project, and continuing through the date that is the expiration of the Parcel Lease applicable to the Residential Project (the “Compliance Term”).

AGREEMENT

Now, therefore, in consideration of the Port's entering into the Vertical Agreements with Lessee, Lessee agrees as follows:

1. Lessee must comply with the Regulatory Obligations through the expiration of the Compliance Term. Specifically, Lessee agrees as follows, subject to additional terms as set forth in the Agreement:

[Revise to reflect specific requirements and income categories.] [Replace “Unit” if “Beds” are used in Regulatory agreement.]

(a) ***[Include if applicable:*** With the exception of one Unit reserved for the manager of the Residential Project,***] Inclusionary Units in the Residential Project will at all times be rented only to tenants who qualify as Qualified Tenants at initial occupancy, specifically:***

UNIT NUMBER (Plans)	UNIT NUMBER (Building)	FLOOR	BEDS	BATHS	SIZE (Net SF)	AMI LEVEL
<i>EXAMPLE</i>	<i>EXAMPLE</i>	<i>EXAMPLE</i>	<i>EXAMPLE</i>	<i>EXAMPLE</i>	<i>EXAMPLE</i>	<i>EXAMPLE</i>
<i>2.A</i>	<i>203</i>	<i>2</i>	<i>Studio</i>	<i>1</i>	<i>598</i>	<i>90%</i>
<i>2.B</i>	<i>204</i>	<i>2</i>	<i>1</i>	<i>1.5</i>	<i>618</i>	<i>120%</i>
<i>2.C</i>	<i>205</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>851</i>	<i>150%</i>

[Include if there is a reason to restrict to a target population] In addition:

(i) _____ Units must be rented at all times to *[TAY tenants]*.

(ii) _____ Units must be rented at all times to tenants who are **[educators]**.

(b) The total amount for rent and utilities (with the maximum allowance for utilities determined by the San Francisco Housing Authority) charged to a Qualified Tenant may not exceed:

(i) thirty percent (30%) of the applicable maximum income level, adjusted for household size; or

(ii) the tenant paid portion of the contract rent as determined by the San Francisco Housing Authority for Qualified Tenants holding Section 8 vouchers or certificates.

2. During the Compliance Term the Port may rely on the Deed of Trust and/or this Declaration, in the Port's discretion, to enforce any of the Port's rights under the Vertical Agreements.

3. This Declaration and the Regulatory Obligations constitute covenants running with the land, including the leasehold interest and bind successors and assigns of Lessee and any owner of the Property. In the event that Lessee fails to comply with the Regulatory Obligations to the Port's satisfaction, in its sole discretion, within thirty (30) days of Lessee's receipt of notice from the Port to so comply, the Port at its option may exercise any rights available at equity or in law, including, without limitation, institute an action for specific performance. Lessee shall pay the Port's costs in connection with the Port's enforcement of the terms of this Declaration, including, without limitation, the Port's attorneys' fees and costs.

[Delete Section 4 if HUD is not providing financing. Revise as appropriate for HUD financing.]

4. The Port acknowledges that this Declaration and the other Vertical Agreements are subject and subordinate to the HUD Documents until the later to terminate of: (a) the term of the HUD Documents; or (b) any period during which HUD holds title to the leasehold estate in the Property. During any applicable period:

(a) The HUD Documents may be amended, extended, renewed, assigned, or superseded without the Port's consent.

(b) The Port will not declare a default or foreclose without HUD's prior

written consent.

(c) The Residential Project will be constructed and operated in conformance with the provisions of HUD's Section 202 Program and all applicable regulations and administrative requirements. In the event of any conflict between this Declaration and the provisions of any HUD regulations, related administrative requirements or capital advance documents (including the HUD Documents), the latter shall control.

(d) HUD approval of a transfer of the Residential Project as defined in Section 4 of the Capital Advance Program Use Agreement shall be deemed to constitute approval of the Port to the transfer.

5. A condominium conversion of the required Inclusionary Units within the Residential Project is prohibited.

6. This Declaration may only be amended with the written consent of Port, which consent may be withheld in its sole discretion.

Lessee has executed this Declaration as of the date first written above.

"LESSEE"

**[ENTITY NAME],
[Entity Type]**

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

[Delete second signature if not required.]

[SIGNATURES MUST BE NOTARIZED.]

EXHIBIT A

(Legal Description of the Property)

A LEASEHOLD INTEREST IN THE FOLLOWING LAND SITUATED IN THE CITY OF
SAN FRANCISCO, COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA,
DESCRIBED AS FOLLOWS:

Street Address:

EXHIBIT B

(Plans for Inclusionary Units)

[Attached]

EXHIBIT B

FORM HOUSING DATA TABLE

Phase:									
Residential Parcel	Total Residential Units	Total Inclusionary Units	Parcel Acreage	Number of Inclusionary Units @ 45%	Number of Inclusionary Units @ 55%	Number of Inclusionary Units @ 90%	Number of Inclusionary Units @ 120%	Number of Inclusionary Units @ 150%	Anticipated Date of Completion

Residential Parcel:				
Location of Inclusionary Units	Bedroom Sizes	Household Sizes	Non-Residential Uses	Amenities

Residential Parcel:				
Location of Inclusionary Units	Bedroom Sizes	Household Sizes	Non-Residential Uses	Amenities

Exh B-1

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Exh B-2

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housing.2025-03-07 mission rock housing plan update parcel
a change.docx



MEMORANDUM

March 7, 2025

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Gail Gilman, Vice President
Hon. Willie Adams
Hon. Stephen Engblom
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational presentation with possible action regarding amendments to the Mission Rock Housing Plan, amendments to the Parcel A Lease, and revisions to the Phase 1 Submittal for the Mission Rock Project at Seawall Lot 337, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 25-17

EXECUTIVE SUMMARY

The Mission Rock project (the "Project") is a 28-acre site located at Seawall Lot 337 and bounded by China Basin Channel, Third Street, Mission Rock Street, and the San Francisco Bay. The Port's development partner for the Project is Seawall Lot 337 Associates, LLC, a partnership between the San Francisco Giants and Tishman Speyer (collectively with its affiliates, the "Developer"). The Project is governed by its Disposition and Development Agreement (DDA), Master Lease, and related agreements between the Port and the Developer.

Following the Port Commission and Board of Supervisor's approval of the Project's transaction documents in 2018, and pursuant DDA, the Developer delivered the Phase 1 Submittal including the Phase scope, budget, and schedule to the Port in spring 2019. As required by the DDA, the Phase 1 Submittal included the land use plan for each building and Inclusionary Below Market Rate ("BMR") units in each Residential building, which is

THIS PRINT COVERS CALENDAR ITEM NO. 12A

included as the “Housing Plan” exhibit to the DDA. In the fall of 2019, the Port approved the Phase 1 Submittal allowing horizontal and vertical construction to commence.

In January 2024, after several months of marketing and leasing the Canyon (Mission Rock “Parcel A”), the Developer proposed modifications to the Phase 1 Submittal to respond to specific challenges associated with leasing the BMR units designated at higher income levels of 120% and 150% Area Median Income (“AMI”). The modifications reduced the total number of BMR units and provided deeper affordability by increasing the number of BMR units available to households with incomes less than 90% of AMI at Parcel F. In consultation with the Mayor’s Office of Housing and Community Development (“MOHCD”), Port agreed that the proposed changes were compliant with the transaction documents, reasonable, and in the best interest of the project since the developer had struggled to lease many 120% and 150% AMI BMR units in Parcel A. The Port Commission approved Resolution 24-21 on April 9, 2024, which authorized the Executive Director to execute an amendment to the Parcel F VDDA and to the Parcel F Lease, as well as other documents required to reflect the requested changes to the Phase 1 Phase Submittal and its modifications to the number and affordability levels of the BMR units in Parcel F.

While the leasing has continued steadily for both market-rate units and the 90% AMI BMR units, the leasing of BMR units at higher AMI levels continues to face challenges at Parcel A. To accelerate occupancy of BMR units and to respond to the demonstrated demand for lower AMI units, the Developer has proposed further modifications to the Housing Plan.

This memorandum details specific modifications to the Housing Plan proposed by the Developer, in consultation with MOHCD and Port staff, and describes the rationale for these changes. While the Housing Plan originally described an affordable housing program for Phase 1, the transaction documents also permit the Developer to make modifications (subject to Port and MOHCD approval).

The developer’s proposal, if approved, would effect the following changes:

1. Adjust the number of BMR units at Parcel A to eliminate 150% AMI units, reduce the number of 120% AMI units, and increase the number of 90% AMI and market-rate units,
2. Reduce the percentage of residential units required to be BMR units in each Project Phase from 30% to 20%, and
3. Revise the Phase 1 Submittal to lower the percentage of BMR units of all residential units in Phase 1 from 30% to 24.6% (161 units to 132 units) and amend the Parcel A Lease to conform with the changes.

The attached resolution: (1) recommends the Board of Supervisors (BOS) approve amending the Housing Plan to lower the percentage of residential units required to be BMR units in each Project Phase from 30% to 20%, and upon BOS approval, (2) authorizes Port staff to amend the Parcel A Lease and other necessary transaction documents to reflect the changes outlined above. Port staff request approval of this resolution.

The following topics are addressed in this memorandum:

- I. Strategic Objectives
- II. Mission Rock Project Background and Update
- III. Residential Leasing and Challenges
- IV. Relevant Mission Transaction Documents that Require Changes
- V. Staff Analysis and Recommendation
- VI. Potential Approval Actions and Next Steps

I. Strategic Objectives

The Mission Rock Project supports the Port's Strategic Plan including the following goals:

- **Productivity.** The redevelopment of a surface parking lot into a new Mission Rock neighborhood supports the goal of enhancing the economic vitality of the Port.
- **Resilience.** The Mission Rock project is elevating the site to prepare for anticipated future sea level rise and related flood levels and provide special tax sources for waterfront resilience projects across the entire Port.
- **Sustainability.** The on-site Blackwater Recycling System will treat wastewater for additional non-potable use within Mission Rock, reducing the Project's overall potable water usage by 13.9 million gallons annually.
- **Engagement.** Port staff and the Mission Rock project team provide regular updates on the Project to the Port's advisory groups.
- **Evolution.** The construction of market-rate and below-market-rate housing and the development of expanded and new public open spaces at Mission Rock are measures of the Port's awareness of and responsiveness to public and Port needs.

II. Mission Rock Project Background

The entitled Mission Rock project, upon completion of all phases, anticipates approximately 1,100 units of rental housing, 1.4 million square feet of new commercial and office space, the rehabilitation of historic Pier 48, as well as space for small-scale manufacturing, retail, neighborhood services, waterfront parks, and public infrastructure. The mixed-use Project is located on approximately 28 acres, including SWL 337 and Pier 48.

Approved in 2018, the Project reflects fourteen years of effort, led by the Port Commission, Port and City staff, and Mission Rock Partners, a partnership between the San Francisco Giants and Tishman Speyer.

Phase 1 currently includes the following program elements:

- 537 residential apartment units, currently including 161 BMR units
- 550,000 gross square feet of office space
- 52,000 gross square feet of retail space

- District Energy System (heating and cooling) located in Parcel A which will serve all of Mission Rock
- District-scale non-potable water recycling plant located in Parcel B, which will serve all of Mission Rock's indoor and outdoor non-potable water needs

Key public benefits include affordable housing, parks and open space, implementation of sustainability strategy goals, and achievement of workforce and local hire requirements and goals agreed upon in the Project's DDA and Development Agreement (DA).

III. Residential Leasing Challenges

The leasing program at Mission Rock commenced in June of 2023 when Parcel A received a Temporary Certificate of Occupancy ("TCO"). Table 1 below shows the initially approved Phase 1 BMR mix by eligible household income.

Table 1

Initial Phase 1 Submittal Housing Table 2022						
AMI Level	Parcel A		Parcel F		Total	%
90%	10	4%	13	8%	23	4%
120%	54	19%	55	22%	109	20%
150%	38	13%	29	11%	67	12%
	102	36%	97	41%	199	37%
Market Rate	181	64%	157		338	63%
Total	283		254		537	

In April 2024, after 10 months of marketing Parcel A, an analysis of the leasing and application data along with slow BMR leasing results indicated that the approved BMR unit mix did not match the actual demand for various AMI level units. Given this mismatch and concerns about the prospect of not leasing up BMR units at the then nearly complete Parcel F, the Developer requested, and the Port Commission approved, a revision to the BMR housing mix for Parcel F. The revised unit mix increased the number of 90% AMI units and market rate units while decreasing the number of 150% AMI units. Table 2 below summarizes the initially approved BMR mix for Parcel F.

Table 2

Parcel F Housing Table 2022						
Unit Type	Studio	1 Bed	2 Bed	3 Bed	Total	% of Total
90% AMI	2	5	5	1	13	5%
120% AMI	6	28	19	2	55	22%
150% AMI	1	16	12	0	29	11%
Total BMR	9	49	36	3	97	38%
Market rate	21	83	52	1	157	62%
Total Units	30	132	88	4	254	

Table 3 below shows: 1) the BMR mix as adjusted by Port Commission approval in 2024, and 2) a summary showing the leasing status of Verde as of the time of this memorandum.

Table 3

Parcel F BMR Units Approved 2024					
Unit Type	90% AMI Units	120% AMI units	150% AMI Units	Total	% of Total BMR
0	3	0	0	3	5%
1	18	0	0	18	31%
2	13	22	0	35	59%
3	1	2	0	3	5%
Total BMR	35	24	0	59	

Parcel F BMR Units - LEASED					
Unit Type	90% AMI Units	120% AMI units	150% AMI Units	Total	% of Total BMR
0	2	0	0	2	3%
1	11	0	0	11	19%
2	13	7	0	20	34%
3	1	2	0	3	5%
% BMR	77%	38%		61%	

As shown in these tables, BMR leasing for the 90% AMI units at Verde has been successful with 77% of those units currently leased. As of February 2025, seven months into lease-up, Verde has leased 36 of the 59 BMR units (61%), outpacing market rate leasing of 98 of the 195 market-rate units (50%). This suggests that the modification approved by Port Commission last year accomplished the goal of accelerating BMR leasing and increasing occupancy of the BMR units.

Proposed Modifications to Parcel A Housing Plan

The BMR units at Parcel A and Parcel F have the same high-quality finishes and appliances as the market-rate units, residents enjoy the same amenity spaces and services, and BMR units are leased through the same process governed by MOHCD. Parcel A includes a total of 283 units, of which 102 or 37% are BMR units. A review of the data and leasing efforts over 20 months indicates a significantly higher proportion of applicants at 90% or lower AMI. As a result, all the 90% AMI units have successfully been leased and there is a waiting list of 29 applicants for those units should one become available. The current leasing results of BMR units at Parcel A are summarized below in Table 4:

Table 4

Parcel A BMR Units					
Unit Type	90% AMI Units	120% AMI units	150% AMI Units	Total	% of Total BMR
0	1	5	2	8	8%
1	7	31	20	58	57%
2	2	17	12	31	30%
3	0	1	4	5	5%
Total BMR	10	54	38	102	

Parcel A BMR Units - LEASED					
Unit Type	90% AMI Units	120% AMI units	150% AMI Units	Total	% of Total BMR
0	1	5	2	8	8%
1	7	24	3	34	33%
2	2	14	6	22	22%
3	0	1	4	5	5%
Total	10	44	15	69	
% BMR	100%	81%	39%	68%	

As of the date of this report, 69 of the 102 BMR units (68%) in Parcel A have been leased, including all of the 90% AMI units, which is higher than the 81% of 120% AMI units and only 39% of the 150% AMI units leased in the same period.

With respect to the market-rate units, the leasing activity has met or exceeded Developer's expectations. However, the combination of the slow lease-up of higher AMI BMR units at Parcel A and the relative success of leasing of lower-AMI levels at Parcel A and Parcel F has prompted the Developer to propose modifications to the Phase 1 Phase Submittal and Parcel A BMR mix to more closely match the changes that were approved last year at Parcel F and to meet the actual demand for BMR units.

IV. Relevant Mission Rock Transaction Documents that Require Changes

Housing Plan

The Housing Plan is Exhibit B5 to the DDA and describes the following measures to ensure that at least 40% of all residential units in the completed Project (across all Phases) are inclusionary BMR units for low- and moderate-income households (between 45% to 150% of Area Median Income):

- Developers of the commercial vertical projects pay a Mission Rock Jobs/Housing Equivalency Fee (“JHEF”), similar to the City's jobs/housing linkage program, to support the development of the BMR units at the Project Site.
- BMR units will be delivered in each phase and within each residential parcel creating a true mixed-income community.
- The specific number and location of the BMR units in each vertical residential parcel are determined through a collaborative process between the vertical developer, the Port, and MOHCD.
- The number, location, AMI level, and bedroom count of the BMR units are documented in the Parcel Lease and the accompanying Vertical Disposition and Development Agreement (“VDDA”) for each residential parcel. The parcel lease and VDDA include provisions that provide flexibility in terms of future changes to the inclusionary housing plan, in consultation with MOHCD and subject to Port approval.
- The Housing Plan requires the number of BMR units to be a minimum of 30% of total residential units in each Phase of the Project, and 40% for the Project upon full buildout of all Project phases.

The developer’s proposed changes would require a change to the last item, modifying the requirement for BMR units as a percentage of all residential units delivered in a single phase to be changed from 30% to 20%.

Phase Submittal

To efficiently guide development, the DDA includes a detailed process for approving each phase of the project. This includes a requirement for the Developer to provide the Port with a Phase Submittal, a comprehensive overview of the design, and the expected cost for a phase. The Phase Submittal is reviewed by the Port, City Planning, and MOHCD to confirm the submittal is complete and complies with the DDA including a general plan to comply with the Housing Plan for the proposed residential parcels in that phase. Upon execution of the Parcel Leases, the vertical Developers proposed a BMR mix, which was adjusted in 2022 after the buildings’ design was finalized. The following Table 5 outlines the approved Phase 1 Submittal Housing Unit Mix as amended in 2024.

Table 5

Phase 1 Submittal Housing Table Approved 2024						
AMI Level	Parcel A		Parcel F		Total	%
90%	10	4%	35	14%	45	8%
120%	54	19%	24	9%	78	15%
150%	38	13%	0	0%	38	7%
	102	36%	59	23%	161	30%
Market Rate	181	64%	195	77%	376	70%
Total	283		254		537	

Parcel Lease

The BMR units as a percentage of the residential units in the building is documented in the Parcel A lease; household income eligibility (AMI), unit mix and location are included as an exhibit to the Parcel A Lease (the Declaration of Restrictions, "DOR"). The unit mix shown in this exhibit is consistent with the unit numbers previously discussed in Section II and shown in Table 5 above.

Declaration of Restrictions

The BMR unit obligation is detailed in a DOR recorded on September 8, 2022 against Parcel A to identify the BMR units in perpetuity.

V. Staff Analysis and Recommendation

The proposed modification at Parcel A would:

- 1) Convert any unleased BMR units to either a 90% AMI BMR unit or a market rate unit; and
- 2) Convert all 150% AMI BMR units as follows:
 - a. 2-bedroom and 3-bedroom units to be converted to 120% AMI BMR units, and
 - b. Studio and 1-bedroom units to be converted to 90% AMI BMR units.Tenants with leases for these units would remain in place and rents would be reduced to match the lower AMI levels. Upon tenant turnover, the new household income eligibility requirement would apply.

Table 6 below summarizes the proposed changes.

Table 6

Proposed Parcel A BMR Units (2025)						
Unit Type	90% AMI Units	120% AMI units	150% AMI Units	Total	Market Rate Units	Total
0	3	5	0	8	9	17
1	13	24	0	37	118	155
2	3	20	0	23	70	93
3	0	5	0	5	13	18
Total BMR	19	54	0	73	210	283
%	7%	19%	0%	26%	74%	

If this change is approved, the following Table 7 shows the overall change in the number of BMR units across Phase 1 from what was originally proposed:

Table 7

Phase 1 Housing Data Table 2024						
Parcel	Total	BMR Units	90% AMI	120% AMI	150% AMI	% of Total
Parcel A	283	102	10	54	38	36%
Parcel F	254	59	35	24	0	23%
Total Phase 1	537	161	45	78	38	30%

Phase 1 Housing Data Table Proposed 2025						
Parcel	Total	BMR Units	90% AMI	120% AMI	150% AMI	% of Total
Parcel A	283	73	19	54	0	26%
Parcel F	254	59	35	24	0	23%
Total Phase 1	537	132	54	78	0	25%

As discussed, the revisions to the BMR units at Parcel A are proposed in consultation with and support from MOHCD and Port Staff, and the analysis has considered several constraints and key provisions of the transaction documents. Important considerations include:

1. Pursuant to the DDA and Housing Plan, the Developer has discretion to determine the exact number of inclusionary units to be developed on each residential parcel, as well as the affordability level of each unit, provided the cumulative number of all inclusionary units in any Phase Submittal shall be no less than 30% of all residential units. The proposed change to the BMR mix would reduce the BMR units in Phase 1 to below the 30% threshold to 25%. The proposed changes would also allow an increase in the number of market-rate units, which the Developer asserts may offset the decreased rental revenue resulting from the addition of units that will be leased at lower AMI levels. Developer proposes the changes to preserve cash flow and achieve returns required by the Developer's capital partners.
2. The Housing Plan requires the number of inclusionary units in each vertical parcel to be between 20% and 60% of the total on any given parcel. The proposed modification does not violate this requirement; if approved 26% of Parcel A units and 23% of Parcel F units will be restricted as BMR units.
3. The Housing Plan requires that affordability levels shall be appropriately distributed throughout the Project Site and Inclusionary Units consisting of Forty-Five percent (45%) and Fifty-Five percent (55%) AMI shall not be grouped or constructed in only

the later phases of the Project, unless approved by Port, in consultation with MOHCD. As previously approved, the first phase will not include 45% or 55% AMI units. As proposed, the first phase will include 90% and 120% AMI units, which is consistent with the Phase Submittal previously approved by the Port in consultation with MOHCD.

4. The proposed unit mix increases the number of 90% AMI units at Parcel A from 10 to 19 to respond to the high demand in that category. Further, the proposed unit mix adjusts the location and bedroom configuration of certain 120% AMI units and eliminates all 150% AMI units. While results in zero 150% AMI units in Parcel A, the Developer, Port Staff and MOHCD support the new BMR unit proposal. If approved, a total of four 90% AMI units will be vacant and available to lease at the time of this memorandum.
5. The Housing Plan provides at least 40% of all residential units in the completed Project (across all Phases) will be inclusionary BMR units for low- and moderate-income households (between 45% to 150% of Area Median Income). These changes will require that later phases of the Project may require higher percentages of BMR units to meet the 40% overall target. The Developer, Port, and MOHCD are currently reviewing the overall Project and anticipate returning to the Port Commission with additional changes to the overall Project, potentially including further changes to the Housing Plan, with the goal of improving the feasibility of future Phases of Mission Rock and accelerating development.

VI. Potential Approval Actions and Next Steps

In summary, the proposed modification of the BMR unit mix is based on a careful analysis of the application and leasing trends at Parcel F to better align Parcel A's unit mix with demonstrated demand for a deeper level of affordability than was initially approved in 2022.

The proposal to revise the total number, unit types, and household affordability levels of the BMR units in Parcel A requires the approval of the Port Commission, in consultation with MOHCD, and approval by the Board of Supervisors. The DDA and Housing Plan identify MOHCD as the City's principal regulatory agency with respect to the Housing Plan.

Accordingly, the Port Commission must determine whether to approve the Developer's proposed revisions and to recommend approval by the Board of Supervisors. As discussed throughout this report, Port staff recommend approval of the attached Resolution with the goal of providing additional units at deeper affordability levels and accelerating BMR leasing at the Mission Rock Project. Upon approval of the Resolution, Port staff will bring the item to the Board of Supervisors for their approval of the requested changes.

Prepared by: Carrie Morris
Development Project Manager

Wyatt Donnelly-Landolt
Development Project Manager

For: Scott Landsittel
Deputy Director
Real Estate and Development

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 25-17

WHEREAS, In January 2018, by Resolution No. 18-03, the Port Commission approved the terms of a Disposition and Development Agreement (“DDA”) between the Port and the Seawall Lot 337 Associates, LLC, a Delaware limited liability company (“Developer”), and related transaction documents that are incorporated into the DDA, including forms of Parcel Lease and Vertical Disposition and Development Agreement (“VDDA”), for the development of approximately 28-acres located along the Port’s Central Waterfront and commonly referred to as “Mission Rock” (the “Project”), comprised of (1) Seawall Lot 337, bounded by Third Street on the west, Mission Rock Street on the south, Pier 48 to the east, and China Basin Park on the north; (2) Pier 48; (3) China Basin Park; (4) the marginal wharf between Pier 48 and Pier 50; and (5) Parcel P20 (collectively, the “Site”); Capitalized terms not otherwise defined herein shall have the meaning set forth in the Appendix to the DDA; and

WHEREAS, In February 2018, the Board of Supervisors approved the DDA by Resolution No. 42-18, and approved the Development Agreement for the Project by Resolution No. 33-18; and

WHEREAS, On April 4, 2019, the Developer submitted its “Phase Submittal” for Phase 1 of the Project (the “Phase 1 Phase Submittal”), which was accepted by Port staff as complete and in compliance with the DDA; and

WHEREAS, The Port executed that certain Lease No. L-16703 (Mission Rock – Phase 1, Parcel A/Lot 1) with an affiliate of Developer, Mission Rock Parcel A Owner, L.L.C. (“Tenant”), dated as of October 6, 2020 (the “Parcel A Lease”), as evidenced by that certain Memorandum of Lease, dated as of October 6, 2020, by Port and Tenant Developer affiliate, and recorded in the Official Records on October 7, 2020 as Document Number 2020027130; and

WHEREAS, The Parcel A Lease documents the Developer’s and Tenant’s initial dedication of units that are affordable to low- and middle-income households (“BMR” units) in Parcel A based on the Phase 1 Phase Submittal; and

WHEREAS, In January 2024 Port staff accepted a revised Phase 1 Phase Submittal that would modify the number of and eligibility for the BMR units in an adjacent residential parcel in the Project (Parcel F), based on the marketing and lease-up experience in Parcel A, which activities commenced in June 2023 and generally resulted in successful leasing of

BMR units dedicated to lower-income households and less success for middle-income BMR units, as described in a memorandum to the Port Commission dated April 5, 2024; and

WHEREAS, On April 9, 2024, the Port Commission adopted Resolution 24-21 authorizing the execution of amendments to the Parcel F VDDA, Parcel F Lease, and other related documents to implement the changes to the BMR units in Parcel F in accordance with the January 2024 Phase 1 Phase Submittal; and

WHEREAS, The leasing trends for Parcel A BMR units remain consistent: lower-income BMR units are leased while some moderate-income units remain vacant for lack of demand, as described in the memorandum accompanying this resolution; and

WHEREAS, In February 2025, the Developer submitted to Port another revised Phase 1 Phase Submittal that would modify the number of and eligibility for the BMR units in Parcel A, similar to the changes to BMR units in Parcel F that were approved in 2024, which would reduce the number of BMR units, increase the number of market-rate units, and increase the number of BMR units available to households with lower incomes as described below; and

WHEREAS, The February 2025 Phase 1 Phase Submittal would increase the number of BMR units available to households with incomes less than or equal to 90% of the area median income (AMI) from 10 units to 19 units; maintains 54 units available to households with incomes equal to and less than 120% of AMI; and, eliminate the number of BMR units available to households with incomes equal to or less than 150% of AMI from 38 units to zero units; and

WHEREAS, Some 120%- and 150%-AMI BMR units are occupied by income-eligible households that Developer proposes to further lower the AMI eligibility for some occupied units and commits that, upon approval: (1) current tenant households will be allowed to remain in the BMR units notwithstanding new income-eligibility requirements, (2) those tenants will receive reduced rents based on the lowered AMI eligibility restrictions, and (3) only upon vacancy will the lower household income eligibility take effect; and

WHEREAS, The changes to the Parcel A BMR unit count and income eligibility in the February 2025 Phase 1 Phase Submittal would result in 73 of 283 units restricted as BMR units (i.e., 26% of Parcel A units as BMR); and

WHEREAS, The changes to the Parcel A BMR unit count and income eligibility in the February 2025 Phase 1 Phase Submittal, in conjunction with the Parcel F BMR program approved in April 2024 would result in 132 of 537 units

restricted as BMR units (i.e., 24.6% of all Phase 1 residential units as BMR); and

WHEREAS, The DDA, via the Housing Plan which is attached to the DDA as Exhibit B5, requires Developer to restrict no less than 30% of all residential units delivered in each Project Phase as BMR units; and

WHEREAS, Port staff have consulted with the Mayor's Office of Housing and Community Development ("MOHCD") to review the February 2025 Phase 1 Phase Submittal and proposal for BMR units in Parcel A, as described above and detailed in the memorandum attached to this resolution; and

WHEREAS, Port staff, in consultation with MOHCD, concluded that the February 2025 Phase 1 Phase Submittal is complete and would comply with the DDA but for the obligation in the Housing Plan to restrict no less than 30% of Phase 1 residential units as BMR units; and

WHEREAS, Port staff, in consultation with MOHCD, accept the February 2025 Phase 1 Phase Submittal and its proposed changed to BMR units in Parcel A, subject to approval by the Port Commission, MOHCD, and the Board of Supervisors of an amendment to the Housing Plan that reduces the per-Phase BMR unit obligation from 30% to 20% of all residential units in each Project Phase (the "Housing Plan Amendment"); and

WHEREAS, Subject to approval of the Housing Plan Amendment, implementing the changes to the BMR units in Parcel A will require amending the Parcel A Lease, and other ancillary documents; and

WHEREAS, The actions contemplated in this resolution are within the scope of the project, for which the Port Commission by Resolution No. 18-06 on January 30, 2018, and the Board of Supervisors by Resolution No. 33-18 on March 6, 2018, respectively, affirmed the Planning Commission's certification of the Final Environmental Impact Report for the Seawall Lot 337 and Pier 48 Mixed-Use Project (Planning Commission Motion No. 20018) and made findings in accordance with the California Environmental Quality Act (California Public Resources Code section 21000 et. seq.) and Administrative Code Chapter 31, which resolutions are incorporated herein by reference; and

WHEREAS, The Port concludes that the Housing Plan Amendment, and amending the Parcel A Lease and ancillary documents to reflect the February 2025 Phase 1 Phase Submittal as detailed in the memorandum accompanying this resolution is reasonable and in the best interest of the Project; now, therefore be it

RESOLVED, The Port Commission approves of the Housing Plan amendment to reduce the minimum percentage of BMR units restricted per Phase of the Project from 30% to 20%; and be it further

RESOLVED, That the Port Commission recommends that the Board of Supervisors approve the Housing Plan Amendment; and be it further

RESOLVED, Upon final approval of the Housing Plan Amendment, the Port Commission authorizes the Executive Director, or the Executive Director's designee, to execute amendments to the Parcel A Lease, and any and all other documents reasonably necessary to reflect the February 2025 Phase 1 Phase Submittal and its modifications to the number and income-eligibility levels of the BMR units in Parcel A as described in this resolution and detailed in the memorandum accompanying this resolution, including but not limited to declarations of special restrictions and memorandum of amendment to the parcel lease, and to record such documents as may be necessary; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director of the Port, or the Executive Director's designee, to enter into any further amendments or modifications to the Parcel A Lease, and any ancillary documents related to Parcel A to implement the purpose and intent of this resolution that the Executive Director determines, in consultation with the City Attorney, are in the best interests of the Port, do not materially decrease the benefits to or materially increase the obligations or liabilities of the Port, and are in compliance with all applicable laws.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 11, 2025.

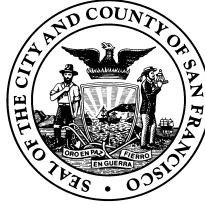
DocuSigned by:

Jenica Liu

Secretary

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OFFICE OF THE MAYOR
SAN FRANCISCO



DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Adam Thongsavat, Liaison to the Board of Supervisors
RE: [Housing Plan Amendments – Mission Rock Project – Seawall Lot 337]
DATE: March 18, 2025

Resolution approving amendment of the Mission Rock Housing Plan to reduce the minimum percentage of inclusionary affordable housing units per Phase of the Mission Rock Project at Seawall Lot 337, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org