

1 [Agreements - Purchase and Sale for Real Estate and Ground Lease - \$5,476,250 and
2 \$15,000, respectively - 1036 Mission Associates, L.P. - 1036 Mission Street]

3 **Resolution approving and authorizing the execution and performance of an Agreement**
4 **of Purchase and Sale of Real Estate in connection with the acquisition of the parcel**
5 **located at 1036 Mission Street (Assessor's Parcel Block No. 3703, Lot No. 162) ("the**
6 **Property"), for \$5,476,250, and a long term, 85 years with a 14 year extension option,**
7 **Ground Lease of the Property for \$15,000 annual base rent, with 1036 Mission**
8 **Associates, L.P., to construct a 100% affordable, 83-unit multifamily rental housing**
9 **development for low-income households and formally homeless families and a**
10 **commercial shell for a 1,061 square foot commercial space; adopting findings that the**
11 **project was properly analyzed in the Mitigated Negative Declaration prepared under the**
12 **California Environmental Quality Act, and that the conveyance and lease are consistent**
13 **with the City's General Plan, and the priority policies of Planning Code Section 101.1;**
14 **and authorizing and directing the Director of Property and Director of Mayor's Office of**
15 **Housing and Community Development to execute documents, make certain**
16 **modifications, and take certain actions in furtherance of this Resolution.**

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18 WHEREAS, In April 2006, the Mayor's Office of Housing (now the Mayor's Office of
19 Housing and Community Development) ("MOHCD") issued a Notice of Funding Availability
20 ("NOFA") to provide financing assistance for the development of low income affordable rental
21 family housing; and

22 WHEREAS, Tenderloin Neighborhood Development Corporation ("TNDC"), a California
23 nonprofit public benefit corporation, submitted an application in response to the NOFA and
24 was selected to be the developer for an apartment building for low income families, including
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1 homeless families to be located at 1036 Mission Street (Assessor’s Block No. 3703, Lot No.
2 162) (the “Property”); and

3 WHEREAS, TNDC established 1036 Mission Associates, L.P., a California
4 limited partnership (“Seller/Lessee”), as a separate entity under which to develop the
5 Project; and

6 WHEREAS, Seller/Lessee acquired the property in 2007 for \$5,500,000, using a
7 \$100,000 acquisition loan from the former San Francisco Redevelopment Agency (now known
8 as the Successor Agency to the Redevelopment Agency of the City And County of San
9 Francisco, a public body organized and existing under the laws of the State of California,
10 commonly known as the Office of Community Investment and Infrastructure (the “Successor
11 Agency” or “OCII”), (the “Redevelopment Agency Loan”), and a \$5,476,250 acquisition loan
12 from MOHCD (the “MOHCD Acquisition Loan”); and

13 WHEREAS, MOHCD desires to acquire the Property from Seller/Lessee
14 pursuant to a Purchase and Sale Agreement (“PSA”) in substantially the form on file
15 with the Clerk of the Board of Supervisors in File No. 160795, incorporated herein by
16 reference; and

17 WHEREAS, In consideration of the Seller/Lessee’s agreement to convey the
18 Property, MOHCD shall credit the outstanding balance and accrued interest of the
19 MOHCD Acquisition Loan and reconvey the related Deed of Trust subject to the
20 conditions described in the PSA; and

21 WHEREAS, MOHCD is also providing the Seller/Lessee with new financial assistance
22 to leverage equity from an allocation of low-income housing tax credits and other funding
23 sources in order to construct a 100% affordable, 83-unit multifamily rental housing
24 development for low-income households and formally homeless families and a commercial
25 shell for a 1,061 square foot commercial space on the Property (the “Project”); and

1 WHEREAS, Seller/Lessee has obtained all entitlements and is ready to begin
2 construction of the Project; and

3 WHEREAS, An appraisal dated March 26, 2016 valued the Property at
4 \$17,480,000 with entitlements; and

5 WHEREAS, MOHCD and the Director of Property have approved the form of the
6 Ground Lease between MOHCD and the Seller/Lessee, pursuant to which MOHCD will lease
7 the Property to the Seller/Lessee for Fifteen Thousand Dollars (\$15,000.00) per year Base
8 Rent, in exchange for the Seller/Lessee's agreement, among other things, to operate the
9 Project with rent levels affordable to households up to 50% San Francisco Area Median
10 Income (AMI). A copy of the Ground Lease in substantially the form approved is on file with
11 the Clerk of the Board of Supervisors in File No. 160795, and is incorporated herein by
12 reference; and

13 WHEREAS, The Ground Lease provides, among other conditions, for a term of [85]
14 years and one [14] year option to extend; and

15 WHEREAS, The Planning Department analyzed the project in the 1036 Mission
16 Street Mitigated Negative Declaration, which was adopted on May 14, 2009 in Planning
17 Commission Motion No. 17875 (Planning Case No. 2007.1464E). The Planning
18 Commission adopted a Mitigation Monitoring and Reporting Program ("MMRP") as part
19 of such adoption and approval of the Project; and

20 WHEREAS, Due to funding restrictions and escalating costs, TNDC redesigned
21 the project from 13 stories with 100 units as approved in Planning Commission Motion
22 No. 17875, to the current Project; and

23 WHEREAS, On May 1, 2014, , the Planning Commission determined that the
24 Mitigated Negative Declaration adopted in Planning Commission Motion No. 17875
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1 was adequate for the scope of work proposed for the Project redesign and no further
2 environmental review is required, as set forth in in Planning Commission Motion No.
3 19135 (Planning Case No. 2014.0103CVX); and

4 WHEREAS, The Planning Department found that the Acquisition and Ground
5 Lease are consistent with the City's General Plan and with the Eight Priority Policies
6 under Planning Code Section 101.1 for the reasons set forth in the letter of the
7 Department of City Planning dated April 21, 2016, which is on file with the Clerk of the
8 Board in File No. 160795; now, therefore, be it

9 RESOLVED, That the Board of Supervisors hereby finds that the Acquisition
10 and Ground Lease are consistent with the City's General Plan and with the Eight
11 Priority Policies under Planning Code Section 101.1 for the same reasons set forth in
12 the letter of the Department of City Planning dated April 21, 2016, and hereby
13 incorporates such findings by reference as though fully set forth in this Resolution; and,
14 be it

15 FURTHER RESOLVED, That the Board of Supervisors has reviewed and
16 considered the Mitigated Negative Declaration and the record as a whole, finds that the
17 Mitigated Negative Declaration is adequate for its use as the decision-making body for
18 the Project, and hereby adopts the findings set forth in Planning Commission Motion
19 No. 17875 and Planning Commission Motion No. 19135 , including the adoption of the
20 MMRP, and further finds that since the Mitigated Negative Declaration was adopted,
21 there have been no substantial project changes and no substantial changes in project
22 circumstances that would require major revisions to the Mitigated Negative Declaration
23 due to the involvement of new significant environmental effects or an increase in the
24 severity of previously identified significant impacts, and there is no new information of
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1 substantial importance that would change the conclusions set forth in the Mitigated
2 Negative Declaration; and, be it

3 FURTHER RESOLVED, That in accordance with the recommendations of the
4 Director of Property and the Director of MOHCD, the Board of Supervisors hereby
5 approves the Transaction Documents, and authorizes the Director of Property (or his
6 designee) and the Director of MOHCD (or his designee) to execute and deliver the
7 Transaction Documents and any such other documents that are necessary or
8 advisable to complete the transaction contemplated by the Transaction Documents,
9 including the Ground Lease, and to effectuate the purpose and intent of this
10 Resolution; and, be it

11 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director
12 of Property (or his designee) and the Director of MOHCD (or his designee), in
13 consultation with the City Attorney, to enter into any additions, amendments or other
14 modifications to the Purchase and Sale Agreement and the Ground Lease (including in
15 each instance, without limitation, the attachment of exhibits), that the Director of
16 Property and the Director of MOHCD determine are in the best interests of the City, do
17 not materially decrease the benefits to the City with respect to the Property, or
18 otherwise materially increase the obligations or liabilities of the City, and are necessary
19 or advisable to complete the transaction contemplated herein, effectuate the purpose
20 and intent of this Resolution, and are in compliance with all applicable laws, including
21 the City's Charter. Documents that include amendments from what was previously
22 submitted to the Board shall be provided to the Clerk of the Board, as signed by the
23 parties, together with a marked copy to show any changes, within 30 days of execution
24 for inclusion in the official file; and, be it

1 FURTHER RESOLVED, That all actions authorized and directed by this
2 Resolution and heretofore taken are hereby ratified, approved and confirmed by this
3 Board of Supervisors.

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RECOMMENDED:

John Updike, Director of Property

Olson Lee, Director, Mayor's Office of Housing and Community Development