

1 [Ground Lease and Loan Agreement - Balboa Park Housing Partners, L.P. - 100% Affordable
2 Housing - 2340 San Jose Avenue - Ground Lease with Annual Base Rent of \$15,000 - Loan
3 Not to Exceed \$24,459,458]

4 **Resolution 1) approving and authorizing the Director of Property and the Mayor's**
5 **Office of Housing and Community Development ("MOHCD") to enter into a Ground**
6 **Lease for Real Property owned by the City and located at 2340 San Jose Avenue**
7 **("Property") with the Balboa Park Housing Partners, L.P. ("Developer") for a lease term**
8 **of 75 years and one 24-year option to extend and an annual base rent of \$15,000**
9 **("Ground Lease") in order to construct a 100% affordable, 131-unit multifamily rental**
10 **housing development affordable to very-low and low-income households, with 39 units**
11 **set aside for HOPE SF residents voluntarily relocating, and 10,791 sq. ft of commercial**
12 **space, with an early childhood education center, community space and resource**
13 **center, community bike space, and two additional spaces for public benefit purposes**
14 **or community-serving purposes (the "Project"); 2) approving and authorizing a Loan**
15 **Agreement in an amount not to exceed \$24,459,458 for a minimum loan term of 57**
16 **years ("Loan Agreement") to finance the development and construction of the Project;**
17 **3) approving and authorizing a Declaration of Restrictions and Reservations of**
18 **Easements between the City, the San Francisco Bay Area Rapid Transit District**
19 **("BART"), and the Developer for \$0 for a no-build area to benefit the Project ("No-Build**
20 **Easement"); 4) approving and authorizing an Easement Agreement between the City**
21 **and BART for \$0 to relocate an existing storm drain lateral ("Storm Drain Easement");**
22 **5) adopting findings that the Project and proposed transactions are consistent with the**
23 **General Plan, and the eight priority policies of Planning Code, Section 101.1; and 6)**
24 **authorizing the Director of Property and/or the Director of MOHCD to execute the**
25 **Ground Lease, Loan Agreement, No-Build Easement, and Storm Drain Easement, make**

1 **certain modifications to such agreements, as defined herein, and take certain actions**
2 **in furtherance of this Resolution, as defined herein.**

3
4 WHEREAS, The City and County of San Francisco (“City”) owns certain real property
5 located at the intersection of Geneva Avenue and San Jose Avenue in San Francisco, which
6 is comprised of approximately 30,750 square feet and known as Assessor's Parcel Block No.
7 6973, Lot No. 039 (the “Property”); and

8 WHEREAS, Under Resolution No. 247-18, the Board of Supervisors authorized the
9 Director of Property to transfer jurisdiction of the Property from the San Francisco Municipal
10 Transportation Agency to MOHCD in accordance with Administrative Code 23.14 for the
11 purpose of developing new affordable housing; and

12 WHEREAS, The City, acting through MOHCD, administers a variety of housing
13 programs that provide financing for the development of new affordable housing and the
14 rehabilitation of single- and multi-family housing for low- and moderate-income households
15 and resources for homeowners in San Francisco; and

16 WHEREAS, MOHCD enters into loan agreements with affordable housing developers
17 and operators; administers loan agreements; reviews annual audits and monitoring reports;
18 monitors compliance with affordable housing requirements in accordance with capital funding
19 regulatory agreements; and if necessary, takes appropriate action to enforce compliance; and

20 WHEREAS, On April 11, 2016, MOHCD issued a Request for Qualifications (“RFQ”),
21 for a developer to work with the City to develop affordable family housing and a ground floor
22 commercial and community-serving space on the Property and public space improvements on
23 an adjacent real property owned by San Francisco Bay Area Rapid Transit District (“BART”);
24 and

1 WHEREAS, Related California (“Related”) and Mission Housing Development
2 Corporation, California nonprofit public benefit corporation (“MHDC”), jointly responded to the
3 RFQ and was selected as the developer of the Project; and

4 WHEREAS, Related and MHDC have established Balboa Park Housing
5 Partners L.P., a California limited partnership (the “Developer”), as a separate entity
6 under which to develop and construct the Project; and

7 WHEREAS, By an authorization dated May 19, 2017 (the “Planning Department
8 Authorization”), the Planning Department by case No. 2016-006482GPR, the Planning
9 Director authorized the affordable housing project authorization for the Project,
10 deeming the Project consistent with the General Plan, and eight priority policies of
11 Planning Code, Section 101.1, a copy of the authorization is on file with the Clerk of the
12 Board of Supervisors in File No. 210503, and is incorporated herein by reference; and

13 WHEREAS, On October 11, 2018, by Notice of Final Approval of an SB 35 Project, the
14 Planning Department by case No. 2017-012151PRJ, determined that the development of the
15 Project met all the standards of the Planning Code and would be eligible for ministerial
16 approval under California Government Code, Section 65913.4 (Senate Bills 35 and 765),
17 California Public Resources Code, Section 21080, and the CEQA Guidelines,
18 Sections 15002(i)(1), 15268 and 15369, and would therefore not be subject to the California
19 Environmental Quality Act (CEQA); and

20 WHEREAS, The Property is owned in fee simple by City but it is “exempt surplus land”,
21 as defined in California Government Code, Section 55421(b)(1) because the Project will be
22 a 100% affordable housing project under California Government Code,
23 Section 55421(f)(1)(F)(i); and

24 WHEREAS, MOHCD and the Director of Property have approved the form of the
25 Ground Lease between the City and the Developer, pursuant to which the City will lease the

1 Property to the Developer for a term of 75 years and one 24-year option to extend and a base
2 rent \$15,000 per year, in exchange for the Developer’s agreement, among other things, to
3 construct and operate the Project with rent levels affordable to households up to 120% of
4 unadjusted San Francisco Area Median Income (AMI) with an average of 60% of AMI across
5 the rental units, and a copy of the Ground Lease in a form substantially approved is on file
6 with the Clerk of the Board of Supervisors in File No. 210503, and is incorporated herein by
7 reference; and

8 WHEREAS, The proposed rent of the Ground Lease is less than Market Rent (as
9 defined in Administrative Code, Section 23.2), but the lower rent will serve a public purpose by
10 providing affordable housing for low-income households in need; and

11 WHEREAS, In order to construct the Project in compliance with San Francisco Building
12 Code and San Francisco Fire Code, BART has agreed to grant to the City and the Developer
13 an easement across BART’s adjacent real property to ensure the Project remains in such
14 compliance and benefit the Project at no cost to parties, on the terms and conditions set forth
15 in the Declaration of Restrictions and Reservations of Easements (“No-Build Easement”), a
16 copy of which is on file with the Clerk of the Board of Supervisors in File No. 210503; and

17 WHEREAS, BART has an existing storm drain lateral under and across the Property
18 that must be relocated to allow the construction of the Project; and

19 WHEREAS, BART has agreed to relocate its storm drain lateral for the purpose of
20 constructing the Project, and the City has agreed to grant BART an easement at no cost to
21 either party, on the terms and conditions set forth in the Easement Agreement (“Storm Drain
22 Easement”), a copy of which is on file with the Clerk of the Board of Supervisors in File
23 No. 210503; and

24 WHEREAS, The grant of the Storm Drain Easement in exchange for BART’s grant of
25 the No-Build Easement to the City are of equal or greater value to the City, and the City’s

1 grant of the Storm Drain Easement at no cost to BART will serve a public purpose by allowing
2 construction of affordable housing for low-income households in need on the Property; and

3 WHEREAS, MOHCD is also providing the Developer with new financial assistance to
4 leverage equity from an allocation of low-income housing tax credits and other funding
5 sources in order for Developer to construct the Project; and

6 WHEREAS, On March 19, 2021, the Citywide Affordable Housing Loan Committee,
7 consisting of MOHCD, Department of Homeless and Supportive Housing, the Office of
8 Community Investment and Infrastructure, and the Controller's Office of Public Finance
9 recommended approval to the Mayor of the Loan Agreement for the Project in an amount not
10 to exceed \$24,459,458 in local funds, a copy of which is in a form substantially approved is on
11 file with the Clerk of the Board of Supervisors in File No. 210503, and is incorporated herein
12 by reference; and

13 WHEREAS, The Loan Agreement would be entered into under the following material
14 terms: (i) a minimum term of 57 years; (ii) an interest rate of up to three percent (3%); (iii)
15 annual repayment of the Loan Agreement by Developer through residual receipts from the
16 Project; (iv) the Project shall be restricted for life of the Project as affordable housing to low-
17 income households with annual maximum rent and income established by MOHCD; and (v)
18 the Loan Agreement shall be secured by a deed of trust recorded against each of the
19 Developer's leasehold interest in the Property; now, therefore, be it

20 RESOLVED, That the Board of Supervisors hereby finds that the Project (and
21 associated actions necessary to effectuate the Project) is consistent with the General Plan,
22 and with the eight priority policies of Planning Code, Section 101.1, for the same reasons as
23 set forth in the Planning Department Authorization, and hereby incorporates such findings by
24 reference as though fully set forth in this Resolution; and, be it

1 RESOLVED, That the Board of Supervisors hereby finds, in consideration of the
2 foregoing, that the Property is surplus to the City's needs and not necessary for the City's use,
3 and further declares it to be "exempt surplus land" under Government Code,
4 Sections 54221(b)(1) and 54221(f)(1)(F)(i); and, be it

5 FURTHER RESOLVED, That the Board of Supervisors hereby finds that the public
6 interest or necessity will not be inconvenienced by the grant of the Storm Drain Easement or
7 acceptance of the No-Build Easement, and that offering the Storm Drain Easement by
8 competitive bidding process or auction would be impractical because the Storm Drain
9 Easement is granted in exchange for the No-Build Easement at no cost to either party, and
10 both of which are serving a public purpose by allowing the construction of affordable housing
11 for low-income households in need on the Property; and, be it

12 FURTHER RESOLVED, That in accordance with the recommendation of the Director
13 of MOHCD and the Director of Property, the Board of Supervisors approves the Ground
14 Lease substantially the form presented to the Board, and authorizes the Director of Property
15 (or the Director's designee, as used throughout) and Director of MOHCD (or the Director's
16 designee, as used throughout), to execute and deliver Ground Lease, in substantially the form
17 presented to the Board, and any such other documents or agreements (including such
18 agreements to provide adequate or additional security or indemnities as required by lenders to
19 consummate the financing of the Project or lease of the Property) that are necessary or
20 advisable, in consultation with the City Attorney, to complete the transaction contemplated by
21 the Ground Lease and to effectuate the purpose and intent of this Resolution, and determines
22 that the less than Market Rent payable under the Ground Lease will serve a public purpose by
23 providing affordable housing for low-income households in need; and, be it

24 FURTHER RESOLVED, That the Board of Supervisors hereby approves the No-Build
25 Easement and the transaction contemplated thereby in substantially the form presented to the

1 Board, and authorizes the Director of Property and the Director of MOHCD, to execute and
2 deliver the No-Build Easement and any such other documents that are necessary or advisable
3 to complete the transaction contemplated by the No-Build Easement and to effectuate the
4 purpose and intent of this Resolution; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Storm
6 Drain Easement and the transaction contemplated thereby in substantially the form presented
7 to the Board, and authorizes the Director of Property and the Director of MOHCD, to execute
8 and deliver the Storm Drain Easement and any such other documents that are necessary or
9 advisable to complete the transaction contemplated by the Storm Drain Easement and to
10 effectuate the purpose and intent of this Resolution; and, be it

11 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan
12 Agreement and the transaction contemplated thereby in substantially the form presented to
13 the Board, and authorizes the Mayor and the Director of MOHCD, to execute and deliver the
14 Loan Agreement and any such other documents that are necessary or advisable to complete
15 the transaction contemplated by the Loan Agreement and to effectuate the purpose and intent
16 of this Resolution; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
18 Property and/or Director of MOHCD, in consultation with the City Attorney, to enter into any
19 additions, amendments, or other modifications to the Ground Lease, No-Build Easement,
20 Storm Drain Easement, Loan Agreement, and any other documents or instruments necessary
21 in connection therewith (including, without limitation, preparation and attachment or, or
22 changes to, any of all of the exhibits and ancillary agreements), that the Director of Property
23 and/or Director of MOHCD determine are in the best interests of the City, do not materially
24 decrease the benefits to the City with respect to the Property, do not materially increase the
25 obligations or liabilities of the City, and are necessary or advisable to complete the transaction

1 contemplated in the Ground Lease, No-Build Easement, Storm Drain Easement, and Loan
2 Agreement, and that effectuate the purpose and intent of this Resolution, such determination
3 to be conclusively evidenced by the execution and delivery by the Director of Property and/or
4 the Director of MOHCD of any such additions, amendments, or other modifications; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
6 delegates to the Director of MOHCD and/or the Director of Property, the authority to
7 undertake any actions necessary to protect the City's financial security in the Property and
8 enforce the affordable housing restrictions, which may include, without limitation, acquisition
9 of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed in lieu of
10 foreclosure, or curing the default under a senior loan; and, be it

11 FURTHER RESOLVED, That all actions authorized and directed by this Resolution and
12 heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors;
13 and, be it

14 FURTHER RESOLVED, That within thirty (30) days of the Ground Lease, No-Build
15 Easement, Storm Drain Easement, and Loan Agreement being fully executed by all parties,
16 MOHCD shall provide the final agreements to the Clerk of the Board for inclusion into the
17 official file.

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1 RECOMMENDED:

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4 /s/
Andrico Q. Penick, Director of Property

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7 /s/
Eric D. Shaw, Director
Mayor's Office of Housing and Community Development

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