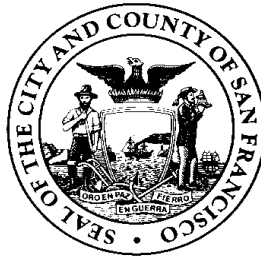


**Office of Community
Investment and Infrastructure**
(Successor to the San Francisco
Redevelopment Agency)

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Tiffany Bohee, Executive Director

March 21, 2014

SUMMARY OF TRANSBAY BLOCK 6 AFFORDABLE HOUSING

Action Requested:

Approving the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Successor Agency" also commonly known as the Office of Investment and Infrastructure ("OCII")) lease of air rights parcel at 280 Beale Street, to Mercy Housing California 62, LP, a California limited partnership ("Developer"), for 55 years for the purpose of creating a housing development for very low-income families ("Air Rights Lease").

Project Summary:

The Transbay Block 6 Affordable Housing site ("Property" or "Site"), currently an air rights parcel above what was an unimproved lot, is located at 280 Beale Street, in San Francisco's Transbay neighborhood. On April 16, 2013, the Commission on Community Investment and Infrastructure ("CCII") approved a disposition and development agreement ("DDA") between OCII and the development team of Golub Real Estate Corporation ("Golub" or "Developer") and Mercy Housing California ("Mercy" or "Affordable Developer") for the development of 409 market-rate residential units and 70 affordable family rental residential units (at 50 percent of area median income), along with shared open space and a shared underground parking garage, on the parcel located at 280 Beale Street, commonly known as Block 6 in the Transbay Redevelopment Project Area ("Project Area"). The Golub/Mercy team was selected by the Former Agency after a competitive request for proposals ("RFP") was issued in July 2011 and proposals were received from a total of four development teams. Block 6 is the first phase of a larger development that includes an additional 77 affordable family rental residential units (also at 50 percent of area median income) and a child care facility that will be developed on Block 7, immediately adjacent to Block 6, by Mercy. The DDA, however, does not cover Block 7 because it will be constructed at a future date when additional affordable housing funds are available from OCII.

On August 29, 2013, the BOS approved the 33433 Report related to the 409-unit market rate component of Transbay Block 6. Currently, OCII is preparing to enter into a long term Air Rights Lease with Mercy for the 70-unit affordable component of Transbay Block 6 ("Project") pursuant to the DDA.

The Project will be an eight-story podium building on the east end of the block with 70 units (56 1-bedroom units and 14 2-bedroom units). It will also include the following features:

- 8-13 spaces within a shared underground parking garage with a total of approximately 133 spaces, entirely under Block 6, which will accommodate parking for the Project, the Market-Rate Project, and the Block 7 Affordable Project;
- A shared open space on Block 6, which will be used by both the Market-Rate Project and the Block 6 Affordable Project, and which will be open to the public during daytime hours; and
- Streetscape improvements pursuant to the Transbay Streetscape and Open Space Plan and the approved Schematic Designs for Folsom Street.

The Project will be built in an air rights parcel (“Air Rights Parcel”) to be owned by OCII, and subsequently MOHCD, and leased to Mercy via a long term air rights lease (“Air Rights Lease”). Golub currently owns all of Block 6. As required by the DDA, prior to the start of construction of the Project, Golub will transfer the Air Rights Parcel for the Project to OCII and OCII and Mercy will enter into the Air Rights Lease. OCII will own the Air Rights Parcel until completion of construction of the Project, at which time ownership will transfer to MOHCD as the housing successor agency, subject to compliance with the Redevelopment Dissolution Law requirements governing the transfer of non-affordable housing assets to the Housing Successor under Health & Safety Code § 34176 (f) and subject to issuance of a certificate of completion or other terms specified in the Air Rights Lease. Mercy will own the improvements and lease the air rights from OCII/MOHCD, consistent with the typical ground lease terms of MOHCD and the Former Agency. Golub will own the underground garage and the tower and townhomes which are above the garage. The garage spaces allocated to the Block 6 Affordable Project will be provided for in a reciprocal easement agreement which will govern the shared portions of the market rate and affordable projects and will be subject to OCII/MOHCD review and approval.

The approval by the Board of Supervisors is requested pursuant to the Redevelopment Plan for the Transbay Redevelopment Project Area (the “Plan”), which provides that the Board of Supervisors shall approve the sale or lease of any property acquired by the Agency pursuant to the Transbay Option Agreement in a manner consistent with the standards and procedures that govern the Agency’s disposition of property acquired with tax increment moneys and that appear in Section 33433 of the California Community Redevelopment Law. Specifically, Section 33433 states that before any property that was acquired, in whole or in part, with tax increment moneys is sold or leased for development, the sale or lease shall first be approved by the legislative body by resolution after public hearing. The Board of Supervisors is the legislative body for purposes of Section 33433. The property covered by this report was not acquired with tax increment moneys but pursuant to the Plan requirements the Board of Supervisor’s approval is requested.

Property: Air Rights Parcel associated with Transbay Block 6 Affordable Housing at 280 Beale Street

Land Owner: Successor Agency to the Redevelopment Agency of the City and County of San Francisco, a public body, a public body, organized and existing under the laws of the State of California

Proposed Developer/
Lessee: Mercy Housing California 62, LP, a California limited partnership

Length of Lease: 75 years plus one option for 24 years
Lease Payment: \$15,000 annual rent
Use of Property: Affordable housing for very low-income families