

1 [Consent to Successor Agency Actions Facilitating Interim Financing - Transbay Transit
2 Center- Transbay Redevelopment Project Area - Amendment to Option Agreement Affecting
3 Affordable Housing Requirement]

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4 **Resolution of the Board of Supervisors, acting in its capacity as the legislative body to**
5 **the Successor Agency to the former Redevelopment Agency of the City and County of**
6 **San Francisco, approving actions by the Commission on Community Investment and**
7 **Infrastructure to subordinate property interest in a site designated for affordable**
8 **housing in the Transbay Redevelopment Project Area; and to facilitate interim**
9 **financing by the Transbay Joint Powers Authority for the construction of Transbay**
10 **Transit Center.**

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12 WHEREAS, State law dissolved redevelopment agencies and designated successor
13 agencies, as separate entities from cities or counties, to assume the remaining obligations of
14 the former redevelopment agencies, California Health and Safety Code, Sections 34170 et
15 seq. (the “Redevelopment Dissolution Law”); and

16 WHEREAS, To implement the Redevelopment Dissolution Law, the Board of
17 Supervisors initially adopted Resolution No. 11-12 (Jan. 26, 2012) and subsequently adopted
18 Ordinance No. 215-12 (Oct. 4, 2012), which established a Successor Agency Commission
19 and delegated to the Successor Agency to the Redevelopment Agency of the City and County
20 of San Francisco (commonly known as the Office of Community Investment and
21 Infrastructure) (the “Successor Agency” or “OCII”) the authority, among others, to implement,
22 modify, enforce and complete the surviving redevelopment projects, including certain Major
23 Approved Development Projects, Retained Housing Obligations, and all other enforceable
24 obligations except for actions decreasing property tax revenue for affordable housing and

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1 material changes to affordable housing obligations, which must be approved by the Board of
2 Supervisors; and

3 WHEREAS, California Public Resources Code, Section 5027.1 requires that 25 percent
4 of the residential units developed in the Transbay Redevelopment Project Area (“Project
5 Area”) shall be available to low income households and that an additional 10 percent shall be
6 available to moderate income households (the “Transbay Affordable Housing Obligation”),
7 which obligation has been incorporated into the Redevelopment Plan for the Transbay
8 Redevelopment Project, approved by Ordinance No. 124-05 (June 21, 2005) and by
9 Ordinance No. 99-06 (May 9, 2006) (the “Redevelopment Plan”), and in the Implementation
10 Agreement, dated as of January 20, 2005, between the former Redevelopment Agency of the
11 City and County of San Francisco (the “Former Agency”) and the Transbay Joint Powers
12 Authority and has been finally and conclusively determined by the California Department of
13 Finance to be an enforceable obligation under Redevelopment Dissolution Law; and

14 WHEREAS, Approximately ten (10) acres of land in the Project Area were State-owned
15 land, including the former Transbay Terminal building and its bus access ramps (the “State-
16 Owned Parcels”) and, under a 2003 Cooperative Agreement among Caltrans, the Transbay
17 Joint Powers Authority (“TJPA”), and the City and County of San Francisco (“City”), the State-
18 Owned Parcels have been, or will be, transferred to the TJPA or the City, which in turn
19 transfers some of the land to the Successor Agency for disposition and development, and

20 WHEREAS, The Cooperative Agreement requires that the disposition and development
21 of State-owned parcels result in the payment of fair market value and the generation of
22 property tax revenue (other than tax increment for affordable housing) that is pledged to the
23 TJPA for funding of the Transbay Transit Center (“TTC”) and reserves to the State a Power of
24 Termination over the transfer of title of the State-owned parcels that it will relinquish upon

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1 satisfaction of certain conditions, including the deposit of the Gross Sales proceeds into a
2 trust account for the benefit of the TTC; and

3 WHEREAS, The City, TJPA, and the Former Agency entered into the Option
4 Agreement for the Purchase and Sale of Real Property (the "Option Agreement") dated as of
5 January 31, 2008, which granted the Former Agency the exclusive and irrevocable option to
6 take title to certain State-Owned Parcels, including Parcel F (Block No. 3721, Lot No. 015A),
7 and Parcel O (portion of Block No. 3739, Lot No. 008), Parcel O' (portion of Block No. 3739,
8 Lot No. 008), and Parcel O" (portion of Block No. 3739, Lot No. 008) (together the northern
9 portion of Parcels O, O' and O" and generally depicted on Exhibit 4 to the Redevelopment
10 Plan are referred to as "Redevelopment Block 4") and the Successor Agency has assumed
11 the rights and obligations of the Former Agency under the Option Agreement; and

12 WHEREAS, The development of Parcel F and Block 4 will not occur until TJPA is
13 finished using the parcels for the Temporary Terminal (Block 4) in late 2017 and for
14 construction of the Bus Ramp (Parcel F) in late 2016; and

15 WHEREAS, The planned use for Parcel F is primarily office use and the planned use
16 for Block 4 is residential and the current projections for Project Area housing development
17 indicate that Block 4 may have to provide up to 45 percent of its projected capacity of 550
18 units as affordable units (or 248 units) to ensure compliance with the Transbay Affordable
19 Housing Obligation; and

20 WHEREAS, The Option Agreement provides, among other things, that the Successor
21 Agency will determine the value of State-owned parcels based on an appraisal that includes
22 consideration of the Redevelopment Plan restrictions, environmental contamination, if any,
23 legally required affordable housing and other conditions which reasonably affect the fair
24 market value and that this valuation serves as the basis for satisfying the Cooperative
25 Agreement's requirement of Gross Sales Proceeds; and

1 WHEREAS, The TJPA needs interim financing to meet its contract certification and
2 cash flow requirements for the current construction schedule for Phase 1 of the TTC and has
3 negotiated, with Goldman Sachs Bank USA, a Credit Agreement having a four year term for a
4 \$171,000,000 loan (the “TJPA Bridge Financing”) that TJPA intends to repay with the
5 proceeds from a federal Transportation Infrastructure Finance and Innovation Act loan (the
6 “TIFIA Loan”), when certain conditions precedent to draw are anticipated to be met in Fiscal
7 Year 2016; and

8 WHEREAS, The terms of the TJPA Bridge Financing require, among other things, that
9 the property tax revenues (exclusive of affordable housing increment) and the sales proceeds
10 for Parcel F and Block 4 provide security for the loan and require OCII to amend the Option
11 Agreement, enter into Subordination Agreements, and take related actions (the “OCII
12 Actions”) for the purpose of subordinating OCII’s existing option on Parcel F and Block 4 while
13 the TJPA Bridge Financing is outstanding, establishing a Lien Release Price that OCII must
14 receive for Parcel F and Block 4, and requiring deposit of the proceeds from the sale of Parcel
15 F and Block 4 into a “lockbox” until the TJPA Bridge Financing is repaid in full; and

16 WHEREAS, TJPA and OCII have determined that the Lien Release Price is reasonably
17 achievable, after taking into consideration the Redevelopment Plan development restrictions,
18 environmental contamination, legally required affordable housing, and other conditions which
19 reasonably affect the fair market value; and

20 WHEREAS, The Amendment to the Option Agreement, the Subordination Agreements,
21 the Credit Agreement and other related documents provide that nothing in those documents
22 shall be construed as preventing OCII from fulfilling the Transbay Affordable Housing
23 Obligations; and

24 WHEREAS, On November 4, 2014, after holding a duly notice public hearing and
25 consistent with its authority under Redevelopment Dissolution Law and Ordinance 215-12, the

1 Successor Agency Commission conditionally approved, by Resolution No. 91-2014, the OCII
2 Actions, subject to approval by the Board of Supervisors in its capacity as legislative body for
3 the Successor Agency (the "Variation Approval"); OCII Resolution No. 91-2014 is on file with
4 the Clerk of the Board of Supervisors in File No. 141154, and incorporated in this Resolution
5 by reference; and

6 WHEREAS, The Board of Supervisors, in its capacity as the legislative body for the
7 City and a party to the Option Agreement, will consider approving the First Amendment to the
8 Option Agreement; and

9 WHEREAS, The OCII Actions in facilitating the TJPA Bridge Financing will not
10 adversely affect OCII's fulfillment of the Transbay Affordable Housing Obligations; and

11 WHEREAS, Consenting to the OCII Actions is an administrative activity, will not result
12 in direct or indirect physical changes in the environment and thus is not a project as defined
13 by the California Environmental Quality Act ("CEQA"), CEQA Guidelines, Section 15378
14 (b)(4); now, therefore, be it

15 RESOLVED, By this Board of Supervisors of the City and County of San Francisco,
16 acting in its capacity as the legislative body of the Successor Agency, that the OCII Actions
17 are hereby approved.

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