

1 [Option to Ground Lease - 2070 Folsom Street - 2060 Folsom Housing, L.P. - For No Cost]

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3 **Resolution authorizing the execution and performance of an Option to Ground Lease in**  
4 **connection with a parcel located at 2070 Folsom Street (Assessor's Parcel Block**  
5 **No. 3571, Lot No. 031) for no cost, and which expires on June 30, 2018, between the**  
6 **City and County of San Francisco and 2060 Folsom Housing, L.P., a California limited**  
7 **partnership; adopting findings that the conveyance is consistent with the General Plan,**  
8 **and the eight priority policies of Planning Code, Section 101.1; and authorizing and**  
9 **directing the execution of any documents necessary to implement this Resolution, as**  
10 **defined herein.**

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12 WHEREAS, In May 2015, the Mayor's Office of Housing and Community Development  
13 ("MOHCD") issued a Request for Proposals ("RFP") to provide predevelopment financing for  
14 the development of family and supportive housing for low income families and homeless  
15 transitional age youth at the City-owned site; and

16 WHEREAS, Chinatown Community Development Center and Mission Economic  
17 Development Agency (the "Co-Sponsors") submitted a joint application in response to the  
18 RFP and were selected to be co-developers for the development of a minimum of 100 units  
19 for low income families and homeless transitional age youth (the "Project") to be located at  
20 2070 Folsom Street (Assessor's Block 3571, Lot 031) (the "Property"); and

21 WHEREAS, On January 15, 2016, the Citywide Affordable Housing Loan Committee  
22 approved MOHCD's selection of the Co-Sponsors to develop the Project on the Property; and

23 WHEREAS, An appraisal dated December 1, 2008 valued the original property  
24 including the adjacent park being developed by the Department of Recreation and Parks at  
25 \$6,300,000; and

1           WHEREAS, A new appraisal will be conducted on the housing parcel prior to execution  
2 of the ground lease; and

3           WHEREAS, MOHCD has negotiated and wishes to enter into an option to ground  
4 lease with 2060 Folsom Housing, L.P., a limited partnership formed and controlled by the Co-  
5 Sponsors (the "Option"), pursuant to which 2060 Folsom Housing, L.P. will have a right to  
6 enter into a ground lease for the Property in order to develop the Current Project (the "Ground  
7 Lease"), subject to certain terms and conditions set forth in the Option; and

8           WHEREAS, The Option expires on June 30, 2018, with an extension option for one  
9 additional 6-month period, and sets forth the material terms of the Ground Lease as follows:  
10 (i) a term of 75 years with an extension option for 24 additional years; (ii) tenant shall be  
11 responsible for all property taxes and assessments levied against the Property; (iii) the  
12 Property shall be used during the term of the ground lease only for affordable housing with  
13 maximum rent and income levels set at no greater than 60% area median income; (iv) the  
14 annual rent shall be 10% of fair market value of the land as determined by an MAI appraiser  
15 prior to execution of the Ground Lease and shall consist of base rent in the amount of  
16 \$15,000 and the remainder in residual rent, which shall be payable only to the extent  
17 proceeds are available from the Project at all times thereafter; (v) the annual rent shall be  
18 adjusted on the fifteenth (15<sup>th</sup>) anniversary of the expiration of the first full calendar lease year  
19 and every fifteen (15) years thereafter, and shall be equal to ten percent (10%) of then  
20 appraised value of the land as determined by a MAI appraiser selected by, and at the sole  
21 cost of, the tenant; any such adjustment shall be made to the residual rent and not the base  
22 rent; (vi) tenant shall be responsible for construction, operation and maintenance of the  
23 Property; (vii) the City will own fee title to the land and the tenant will own fee title to all  
24 improvements; (viii) at the end of the term, fee title to all the improvements shall vest in the  
25 City; (ix) the Ground Lease shall include standard mortgagee protection provisions; (x) the

1 City will provide any notice of and defaults to the tenant and the tenant's limited partners and  
2 lenders and allow any such parties the right to cure such default; (xi) the tenant can encumber  
3 its leasehold interest to secure loans, as approved by MOHCD; and

4 WHEREAS, In order to consummate the ground lease of the Property, the Board of  
5 Supervisors desires to authorize the execution, delivery and performance of the Option and, if  
6 the Sponsor exercises the Option, the Ground Lease (collectively, the "Transaction  
7 Documents"); and

8 WHEREAS, Approval of this Resolution shall not be construed as approval of the  
9 Project. The City will conduct environmental review of the proposed Project, following further  
10 design development and study, under the California Environmental Quality Act ("CEQA") and  
11 nothing in this Resolution implements any approvals or facilities for the Project, or grants any  
12 entitlements to the Co-Sponsors or the Partnership. The City retains absolute discretion to:  
13 (1) modify the Project to mitigate significant adverse environmental impacts, (2) select  
14 feasible alternatives which avoid significant adverse impacts of the Project, (3) require the  
15 implementation of specific measures to mitigate the significant adverse environmental impacts  
16 of the Project, (4) reject the Project as proposed if the economic and social benefits of the  
17 Project do not outweigh otherwise unavoidable significant adverse impacts of the Project, or  
18 (5) approve the Project upon a finding that the economic and social benefits of the Project  
19 outweigh otherwise unavoidable significant adverse impacts; and

20 WHEREAS, By General Plan Referral dated September 13, 2011, the Department of  
21 City Planning adopted and issued a General Plan Consistency Finding, a copy of which is on  
22 file with the Clerk of the Board, wherein the Department of City Planning found that the  
23 acquisition and ground lease of the Property are consistent with the City's General Plan and  
24 with the Eight Priority Policies under Planning Code Section 101.1; now, therefore, be it

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1           RESOLVED, That the Board of Supervisors hereby finds that the ground lease terms  
2 contained in the Option of the Property are consistent with the General Plan, and with the  
3 eight Priority Policies of Planning Code Section 101.1 for the same reasons as set forth in the  
4 General Plan Referral, dated September 13, 2011, and hereby incorporates such findings by  
5 reference as though fully set forth in this Resolution; and, be it

6           FURTHER RESOLVED, That in accordance with the recommendation of the Director  
7 of Property and the Director of MOHCD, the Board of Supervisors approves the Transaction  
8 Documents, and authorizes the Director of Property (or his designee) and the Director of  
9 MOHCD (or his designee) to execute and deliver the Transaction Documents and any such  
10 other documents that are necessary or advisable to complete the transaction contemplated by  
11 the Transaction Documents, including the Ground Lease (if the Sponsor exercises the  
12 Option); and, be it

13           FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
14 Property (or his designee) and the Director of MOHCD (or his designee), in consultation with  
15 the City Attorney, to enter into any additions, amendments or other modifications to the  
16 Transfer Agreement, the Option and, if the Option is exercised, the Ground Lease, and any  
17 other documents or instruments necessary in connection therewith, that the Director of  
18 Property and the Director of MOHCD determine are in the best interests of the City, do not  
19 materially decrease the benefits to the City with respect to the Property, do not materially  
20 increase the obligations or liabilities of the City, and are necessary or advisable to complete  
21 the transaction contemplated therein and that effectuate the purpose and intent of this  
22 Resolution, such determination to be conclusively evidenced by the execution and delivery by  
23 the Director of Property (or his designee) and the Director of MOHCD (or his designee) of any  
24 such additions, amendments, or other modifications; and, be it

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

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6           RECOMMENDED:

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9           John Updike, Director of Property

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