

1 [Ground Lease - Mercy Housing California 64, LP - 255 Fremont Street / 222 Beale Street -
2 Transbay Block 7 Housing - \$15,000 per Year]

3 **Resolution approving and authorizing the Successor Agency to the Redevelopment**
4 **Agency of the City and County of San Francisco to execute a ground lease at 255**
5 **Fremont Street / 222 Beale Street, with Mercy Housing California 64, LP, a California**
6 **limited partnership, for \$15,000 per year for a term of 75 years for the purpose of**
7 **developing housing for very low and low-income households at Transbay Block 7.**

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9 WHEREAS, The Successor Agency to the Redevelopment Agency of the City and
10 County of San Francisco (the “Successor Agency”) also commonly known as the Office of
11 Investment and Infrastructure (“OCII”) and the City desire to increase the City’s supply of
12 affordable housing and encourage affordable housing development through financial and
13 other forms of assistance; and

14 WHEREAS, The Board of Supervisors of the City adopted the Transbay
15 Redevelopment Project Area (the “Project Area”) in order to undertake a variety of projects
16 and activities to alleviate blighting conditions; and

17 WHEREAS, The parcel located at 255 Fremont Street / 222 Beale Street, San
18 Francisco, California, in the Project Area (“Site” or “Property”), was part of an underutilized
19 and unimproved lot; and

20 WHEREAS, The California Legislature in 2003 enacted Assembly Bill 812 (“AB 812”)
21 authorizing the demolition of the historic Transbay Terminal building and the construction of
22 the new Transbay Transit Center (“TTC”) (Stat. 2003, Chapter 99, codified at Section 5027.1
23 of the Cal. Public Resources Code); and

24 WHEREAS, AB 812 also mandated that 25% of the residential units developed in the
25 area around the Center “shall be available to” low income households, and an additional 10%

1 “shall be available to” moderate income households if the City and County of San Francisco
2 (“City”) adopted a redevelopment plan providing for the financing of the Center; and

3 WHEREAS, In 2003, in an agreement with the Transbay Joint Powers Authority
4 (“TJPA”) and the City, the State agreed to transfer approximately ten acres of State-owned
5 property (“State-owned parcels”) in and around the then-existing Transbay Terminal to the
6 City and the TJPA, which would then sell the State-owned parcels and use the revenues from
7 the sales to finance the Center (“Cooperative Agreement”); and

8 WHEREAS, The City agreed, among other things, to commit the property tax revenue
9 from the State-owned parcels through its Redevelopment Agency to the Center; and

10 WHEREAS, Under the Cooperative Agreement, the State relied on tax increment
11 financing under a redevelopment plan to improve and sell the parcels; and

12 WHEREAS, The Board of Supervisors of the City and County of San Francisco
13 approved a Redevelopment Plan for the Project Area by Ordinance No. 124-05, adopted on
14 June 21, 2005 and by Ordinance No. 99-06, adopted on May 9, 2006 (the “Redevelopment
15 Plan”); and

16 WHEREAS, The Redevelopment Plan provided for the financing of the TTC and
17 established a program for the Redevelopment Agency of the City and County of San
18 Francisco (the “Former Agency”) to redevelop and revitalize the blighted Project Area; and

19 WHEREAS, In 2006, the TJPA and the Former Agency executed an agreement
20 (“Implementation Agreement”), which required the Former Agency to take the lead role in
21 facilitating the development of the State-owned parcels; and

22 WHEREAS, Specifically, the Implementation Agreement required the Former Agency
23 to: (1) prepare and sell the State-owned parcels to third parties, (2) deposit the sale proceeds
24 into a trust account to help the TJPA pay the cost of constructing the TTC, (3) implement the
25 Redevelopment Plan to enhance the financial feasibility of the Project, and (4) fund the state-

1 mandated affordable housing program; and

2 WHEREAS, In 2008, the City, the Former Agency and the TJPA entered into an
3 agreement that granted options to the Former Agency to acquire the State-owned parcels,
4 arrange for development of the parcels, and distribute the net tax increment to the TJPA to
5 use for the Center (“Option Agreement”); and

6 WHEREAS, The Option Agreement provided the means by which the Former Agency
7 could fulfill its obligations under the Implementation Agreement to prepare and sell the State-
8 owned parcels, including Blocks 2-12 and Parcel F (Section 2.1 of the Option Agreement at p.
9 4); and

10 WHEREAS, On July 6, 2011, pursuant to the Implementation Agreement, the Former
11 Agency issued a Request for Proposals (“RFP”) from development teams to design and
12 develop a high-density, mixed-income residential project on Blocks 6 and 7 in the Project
13 Area; and

14 WHEREAS, On December 6, 2011, after a competitive selection process, the Former
15 Agency Commission authorized staff to enter into negotiations for the development of Blocks
16 6 and 7 with the development team lead by Golub Real Estate Corp. (“Golub”) and Mercy
17 Housing California (“Mercy”); and

18 WHEREAS, On February 1, 2012, the Former Redevelopment Agency was dissolved
19 pursuant to the provisions of California State Assembly Bill No. 1X 26 (Chapter 5, Statutes of
20 2011-12, First Extraordinary Session) (“AB 26”), codified in relevant part in California’s Health
21 and Safety Code, Sections 34161 – 34168 and upheld by the California Supreme Court in
22 California Redevelopment Assoc. v. Matosantos, No. S194861 (Dec. 29, 2011); and

23 WHEREAS, On June 27, 2012, AB 26 was subsequently amended in part by California
24 State Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”); (Together, AB
25 26 and AB 1484 are primarily codified in sections 34161 et seq. of the California Health and

1 Safety Code, which sections, as amended from time to time, are referred to as the
2 “Redevelopment Dissolution Law.”); and

3 WHEREAS, Redevelopment Dissolution Law authorizes successor agencies to enter
4 into new agreements if they are “in compliance with an enforceable obligation that existed
5 prior to June 28, 2011”; and

6 WHEREAS, Cal. Health & Safety Code Section 34177.5 (a). Under this limited
7 authority, a successor agency may enter into contracts if a pre-existing enforceable obligation
8 requires that action. See also Cal. Health & Safety Code Section 34167 (f) (providing that the
9 Redevelopment Dissolution Law does not interfere with an agency’s authority under
10 enforceable obligations to “enforce existing covenants and obligations, or . . . perform its
11 obligation.”); and

12 WHEREAS, The Implementation Agreement and several other Transbay obligations
13 are “enforceable obligations” requiring OCII to take the actions proposed by this Resolution,
14 Cal. Health & Safety Code Section 34171 (d) (1); and

15 WHEREAS, On April 15, 2013, the California Department of Finance (“DOF”)
16 determined “finally and conclusively,” under Cal. Health & Safety Code Section 34177.5 (i),
17 that the Implementation Agreement, AB 812, and the Transbay Redevelopment Project Tax
18 Increment Allocation and Sales Proceeds Pledge Agreement (“Pledge Agreement”) are
19 enforceable obligations; and

20 WHEREAS, The Implementation Agreement and several other Transbay obligations
21 require OCII to take the actions proposed by this Resolution; and

22 WHEREAS, On April 16, 2013, the Commission on Community Investment and
23 Infrastructure approved the Disposition and Development Agreement (“DDA”) between Golub,
24 Mercy and OCII and the exercise of OCII’s option to acquire Blocks 6 and 7 from the TJPA
25 pursuant to the Option Agreement; and

1 WHEREAS, Blocks 6 and 7, TJPA-owned parcels and underutilized lots in the Project
2 Area located at 280 Beale Street and 255 Fremont / 222 Beale Street, respectively, in San
3 Francisco, California, were transferred to OCII; and

4 WHEREAS, On September 10, 2013, DOF stated that in light of its determination
5 regarding the Transbay Final and Conclusive Enforceable Obligations, “any sale, transfer, or
6 conveyance of property related to this project, and as outlined in the project documents, is
7 authorized” and that “no objection to any sale, transfer and/or conveyance of property related
8 to this project will be initiated” so long as the activities comply with the approved final and
9 conclusive enforceable obligations; and

10 WHEREAS, Pursuant to the Redevelopment Dissolution Law, all of the Former
11 Redevelopment Agency’s assets (other than certain housing assets) and obligations were
12 transferred to the OCII, as Successor Agency to the Former Agency; and

13 WHEREAS, In October of 2013, Golub completed the purchase of Block 6 and paid an
14 affordable housing fee to fund the affordable component of the Block 6 project and a portion
15 of the Block 7 project, both of which would be developed by Mercy; and

16 WHEREAS, Mercy finished the construction of the affordable component of the Block 6
17 project in the fall of 2015; and

18 WHEREAS, Block 7 remained under OCII ownership and development rights to
19 construct the Block 7 Project will be delivered to the Mercy through the Ground Lease
20 presented for approval; and

21 WHEREAS, Mercy has agreed that its development of Block 7 shall include the
22 construction of 120 residential units affordable to low and very low income households, a
23 ground floor childcare facility and shared open space (the “Project”); and

24 WHEREAS, The Block 7 Project will assist in the elimination of blight by converting an
25 underutilized lot into an affordable residential development with on-site amenities; and

1 WHEREAS, Notice of the public hearing has been published consistent with Health and
2 Safety Code, Section 33433; and

3 WHEREAS, OCII prepared and submitted a report consistent with the requirements of
4 Section 33433 of the Health and Safety Code, including a copy of the proposed Ground
5 Lease, and a summary of the transaction describing the cost of the Ground Lease to OCII, the
6 value of the property interest to be conveyed, the lease price and other information, which
7 was made available for public inspection; and

8 WHEREAS, OCII is providing Mercy Housing 64, LP, a California limited partnership
9 (the “Developer”) with funds from Transbay affordable housing fees and the Transbay Jobs
10 Housing Linkage Funds to leverage equity from an allocation of low-income housing tax
11 credits and other funding sources in order to construct the Project.; and

12 WHEREAS, The OCII Commission has approved Ground Lease between OCII and the
13 Developer, in which OCII will lease the Property for Fifteen Thousand Dollars (\$15,000) per
14 year, in exchange for the Developer’s agreement, among other things, to operate the Project
15 with rent levels affordable to very low and low income households; and

16 WHEREAS, A copy of the OCII Commission Resolution No. 14-2016, approved by the
17 OCII Commission on March 15, 2016, is on file with the Clerk of the Board of Supervisors in
18 File No. 160285, and incorporated by reference herein as though fully set forth; and

19 WHEREAS, OCII believes that the redevelopment of the Site, pursuant to the Ground
20 Lease, and the fulfillment generally of the Ground Lease and the intentions set forth herein,
21 are in the vital and best interests of the City and the health, safety, morals and welfare of its
22 residents, and in accord with the public purposes and provisions of the applicable State and
23 Federal laws; and

24 WHEREAS, Upon completion of the Project, OCII intends to transfer the affordable
25 housing loan obligation, asset, and Ground Lease to the Mayor’s Office of Housing and

1 Community Development (“MOHCD”) as the designated Successor Housing Agency of the
2 City and County of San Francisco under Board Resolution No. 11-12, as required by
3 Dissolution Law, and

4 WHEREAS, Pursuant to the Redevelopment Plan, the Board of Supervisors shall
5 approve the sale or lease of any property acquired by OCII pursuant to the Option Agreement
6 in a manner consistent with the standards and procedures that govern the Agency's
7 disposition of property acquired with tax increment moneys and that appear in Section 33433
8 of the California Community Redevelopment Law; and

9 WHEREAS, Notice of the public hearing has been published as required by Health and
10 Safety Code, Section 33433; and

11 WHEREAS, OCII prepared and submitted a report in accordance with the requirements
12 of Section 33433 of the Health and Safety Code, including a copy of the proposed Ground
13 Lease, and a summary of the transaction describing the cost of the Ground Lease to the
14 Agency, the value of the property interest to be conveyed, the lease price and other
15 information was made available for the public inspection; now, therefore, be it

16 RESOLVED, That the Board of Supervisors does hereby find and determine that the
17 lease of the Property from OCII to the Developer (1) will provide housing for very low-income
18 families; (2) is consistent with the Project Area Implementation Plan, pursuant to Community
19 Redevelopment Law Section 33490; (3) the less than fair market value rent of approximately
20 Fifteen Thousand Dollars (\$15,000.00) per year for a term of seventy-five (75) years is
21 necessary to achieve affordability for very low and low income households; and (4) the
22 consideration to be received by OCII is not less than the fair reuse value at the use and with
23 the covenants and conditions and development costs authorized by the Ground Lease; and,
24 be it

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1 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
2 authorizes OCII to execute the Ground Lease with the Developer, substantially in the form on
3 file with the Clerk of the Board of Supervisors in File No. 160285 and lodged with the OCII,
4 and to take any such further actions needed to execute such documents as is necessary to
5 carry out the Ground Lease.

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