

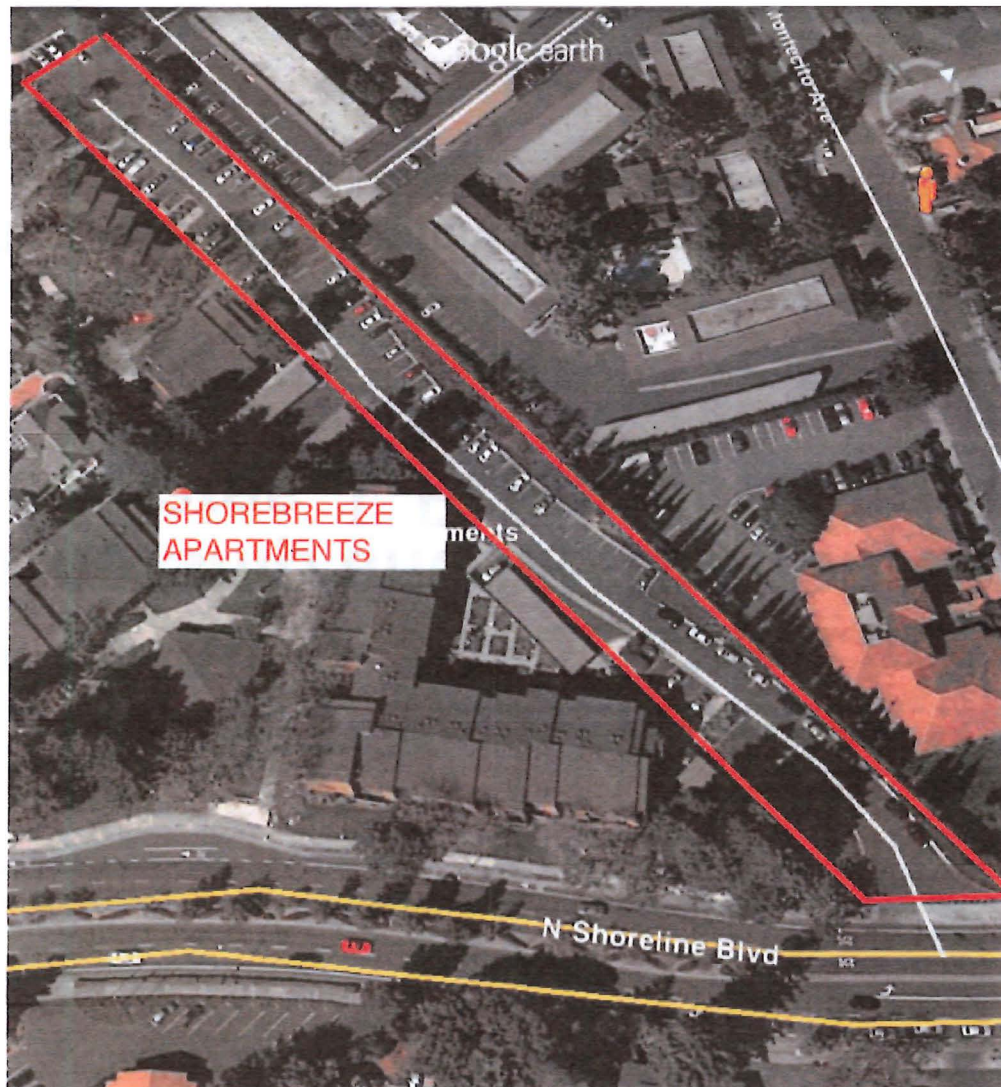


Services of the San Francisco Public Utilities Commission

New 60-Year Lease to MP Shoreline Associates Limited Partnership and MP Shorebreeze Associates, L.P. (as Co-Tenants)

**July 18, 2018
Tony Bardo, Assistant Real Estate Director,
Real Estate Services**

Shorebreeze Apartments





Leased Premises (current lease)

- 1.96 acres of SFPUC Parcel No. 201-A in Mountain View, California
- Constitute a portion of SFPUC's Bay Division Pipelines 3 & 4
- Current 51-year ground lease with Mountain View Apartments Limited Partnership for use of the premises for parking, landscaping, ingress and egress, to serve the adjacent affordable housing complex (Shorebreeze Apartments)
- Current lease expires March 31, 2031



Need for Affordable Housing

- In response to the Bay Area regional housing crisis, MidPen Housing and the City of Mountain View decided in 2014 to rehabilitate and expand the Shorebreeze Apartments.
- In January, 2018 the City of Mountain View amended its Precise Plan to add 50 net affordable housing units at the Shorebreeze Apartments.



Shorebreeze Apartments





Redevelopment Project Funding

Redevelopment project has wide public support. Funding partners include:

- The County of Santa Clara Housing Authority
- The City of Mountain View (\$7.32 million)
- The Housing Trust Silicon Valley (\$500,000)
- The State of California (\$13.9 tax credit equity financing)
- City of Mountain View developer fees earmarked for affordable housing (\$1.9 million)



Proposed New Lease

Why a new lease?

- Project funding partners require a 60-year term and a predetermined ground rent schedule to meet regulatory requirements for tax credit syndication and local funding.
- Original lease expires in approximately 13 years



Proposed Rent Structure

- Initial rent is \$100,874 per year and represents an increase of 152% over Tenant's current rent.
- Rent increases every five years by approximately 15.9% (equivalent to 3% compounded annually).
- Proposed rent is equal to 50% of the fair market rent determined by an MAI appraisal dated January 25, 2018 by Clifford Advisory, LLC.



Case for Discounted Rent

- 2011 SFPUC adopted its Community Benefits Program.
- Co-Tenants are controlled by MidPen Housing, a nonprofit organization with a charitable purpose
- MidPen Housings's affordable housing programs are considered an important community benefit to Mountain View and other SFPUC service areas.
- New lease benefits SFPUC's primary utility purpose



SFPUC Access for Water Operations

City Protections Under the New Lease:

- City not responsible for any temporary loss or disruption of Tenant's use of the Premises caused by SFPUC facility installations, repairs, or other activities.
- Tenant responsible for all costs of restoring Tenant's facilities to original condition.
- Tenant responsible for finding alternate parking during SFPUC repair or improvement activities at Tenant's sole cost.