

1 [Ground Lease Agreements - Transbay 2 Family, LP and Transbay 2 Family Commercial, LLC
2 - 200 Folsom Street - Transbay Block 2 East - \$15,001 Base Rent per Year]

3 **Resolution approving and authorizing the Office of Community Investment and**
4 **Infrastructure as Successor Agency to the Redevelopment Agency of the City and**
5 **County of San Francisco to execute ground leases at 200 Folsom Street (commonly**
6 **known as Transbay Block 2 East) with Transbay 2 Family, LP for \$15,000 per year and**
7 **with Transbay 2 Family Commercial, LLC for \$1 per year, each for a term of 75 years for**
8 **the purpose of developing housing for low- and moderate-income households,**
9 **including formerly homeless households, and ground floor childcare and community**
10 **commercial space; and making findings under Section 33433 of the Health and Safety**
11 **Code as required under the Transbay Redevelopment Plan.**

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13 WHEREAS, The Successor Agency to the Redevelopment Agency of the City and
14 County of San Francisco (commonly known as the Office of Community Investment and
15 Infrastructure or "OCII") and the City and County of San Francisco ("City") desire to increase
16 the City's supply of affordable housing and encourage affordable housing development
17 through financial and other forms of assistance; and

18 WHEREAS, The Board of Supervisors of the City adopted the Transbay
19 Redevelopment Project Area ("Project Area") to undertake a variety of projects and activities
20 to alleviate blighting conditions; and

21 WHEREAS, The parcel located at 200 Folsom Street, San Francisco, California, in the
22 Project Area (Assessor's Parcel Block No. 3739, Lot Nos. 017 and 018, "Property"), is part of
23 an underutilized lot; and

24 WHEREAS, The California Legislature in 2003 enacted Assembly Bill 812 ("AB 812")
25 authorizing the demolition of the historic Transbay Terminal building and the construction of

1 the new Transbay Transit Center (“TTC”) (Stat. 2003, Chapter 99, codified at Section 5027.1
2 of the Cal. Public Resources Code), and AB 812 also mandated that any redevelopment plan
3 adopted to finance, in whole or in part, the demolition of the historic Transbay Terminal
4 building and the construction of the TTC “shall ensure that at least 25 percent of all dwelling
5 units developed within the project area shall be available at affordable housing cost to, and
6 occupied by, persons and families whose incomes do not exceed 60 percent of the area
7 median income, and that at least an additional 10 percent of all dwelling units developed
8 within the project area shall be available at affordable housing cost to, and occupied by,
9 persons and families whose incomes do not exceed 120 percent of the area median income”
10 (the “Transbay Affordable Housing Obligation”); and

11 WHEREAS, In 2003, in an agreement with the Transbay Joint Powers Authority
12 (“TJPA”) and the City, the State agreed to transfer approximately 10 acres of State-owned
13 property (“State-owned parcels”) in and around the then-existing Transbay Bus Terminal to
14 the City and the TJPA, and then have the former San Francisco Redevelopment Agency
15 (“Former Agency”) sell the State-owned parcels for market rates to finance the TTC
16 (“Cooperative Agreement”); and

17 WHEREAS, The City agreed, among other things, to commit the property tax revenue
18 from the State-owned parcels through the Former Agency to the TTC; and

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

21 WHEREAS, The Board of Supervisors adopted a Redevelopment Plan for the
22 Transbay Redevelopment Project Area by Ordinance No. 124-05 (June 23, 2005) and by
23 Ordinance No. 99-06 (May 19, 2006) (“Redevelopment Plan”), and the Redevelopment Plan
24 established a program for the Former Agency (now OCII) to finance the TTC and redevelop
25 and revitalize the blighted Project Area and requires that the Board of Supervisor shall

1 approve the sale or lease of certain parcels by the Former Agency (now OCII) under the
2 standards of Section 33433 of the California Community Redevelopment Law; and

3 WHEREAS, In 2006, the TJPA and the Former Agency executed an agreement
4 (“Implementation Agreement”), which required the Former Agency to take the lead role in
5 facilitating the development of the State-owned parcels, and specifically, the Implementation
6 Agreement required the Former Agency to: (1) prepare and sell the State-owned parcels to
7 third parties, (2) deposit the sale proceeds into a trust account to help the TJPA pay the cost
8 of constructing the TTC, (3) implement the Redevelopment Plan to enhance the financial
9 feasibility of the TTC, and (4) comply with the Transbay Affordable Housing Obligation; and

10 WHEREAS, In 2008, the City, the Former Agency and the TJPA entered into an
11 agreement (“Option Agreement”) that granted options to the Former Agency to acquire the
12 State-owned parcels and arrange for development of the parcels (including Blocks 2 through
13 12 and Parcel F (Section 2.1 of the Option Agreement at p. 4); and

14 WHEREAS, On February 1, 2012, the State of California dissolved all redevelopment
15 agencies including the Former Agency pursuant to California Health and Safety Code, Section
16 34170 et seq. (“Redevelopment Dissolution Law”), and under the authority of the
17 Redevelopment Dissolution Law and San Francisco Ordinance No. 215-12 (October 4, 2012)
18 (establishing the Successor Agency Commission and delegating to it state authority under the
19 Redevelopment Dissolution Law), OCII (as the Successor Agency to the Former Agency) is
20 administering the enforceable obligations of the Former Agency; and

21 WHEREAS, Redevelopment Dissolution Law authorizes successor agencies to enter
22 into new agreements if they are "in compliance with an enforceable obligation that existed
23 prior to June 28, 2011" (Cal. Health & Safety Code, Section 34177.5 (a)); and

24 WHEREAS, On April 15, 2013, the California Department of Finance (“DOF”)
25 determined “finally and conclusively,” under Cal. Health & Safety Code, Section 34177.5 (i),

1 that the Implementation Agreement, and the Transbay Redevelopment Project Tax Increment
2 Allocation and Sales Proceeds Pledge Agreement (“Pledge Agreement”) are enforceable
3 obligations; and

4 WHEREAS, The Implementation Agreement, Transbay Affordable Housing Obligation
5 and several other Transbay obligations require OCII to take the actions proposed by this
6 Resolution; and

7 WHEREAS, Pursuant to the Redevelopment Dissolution Law, all of the Former
8 Redevelopment Agency's assets (other than certain housing assets) and obligations were
9 transferred to the OCII, as Successor Agency to the Former Agency; and

10 WHEREAS, In June 2020, in accordance with its obligations under the Implementation
11 Agreement and the Redevelopment Plan, OCII issued a Request for Proposals (“RFP”) from
12 development teams to design and develop two high-density, mixed-use affordable residential
13 projects with community commercial space on the eastern and western halves of Block 2; and

14 WHEREAS, On January 7, 2021, in accordance with its obligations under the
15 Implementation Agreement and the Redevelopment Plan, OCII exercised its option under the
16 Option Agreement and accepted fee title ownership of Transbay Block 2 from the TJPA, and
17 OCII intends to fund the development of two affordable housing developments on Block 2 in
18 furtherance of its affordable housing obligations within the Project Area; and

19 WHEREAS, On April 6, 2021, after a competitive selection process, the Successor
20 Agency Commission authorized staff to enter into negotiations for the ground lease and
21 development of Block 2 with the co-development team of Mercy Housing California (“Mercy”)
22 and Chinatown Community Development Center (“CCDC”), and under the development
23 proposal from Mercy and CCDC, Mercy would be the lead developer of the “Block 2 East
24 Project”, an affordable housing development with childcare and community-serving
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1 commercial at the ground floor and would lead the overall predevelopment of Block 2, and
2 CCDC would be the lead developer of Block 2 West; and

3 WHEREAS, Mercy’s residential development entity, Transbay 2 Family, LP, a
4 California limited partnership (“Transbay 2 Family”), has agreed to enter into a ground lease
5 with OCII to develop the residential component of the Block 2 East Project consisting of
6 approximately 184 residential units for income qualified families, including 182 units of low-
7 income rental housing and two unrestricted manager’s units, with 40 units set aside to serve
8 formerly homeless households, subsidized by the City (through the Mayor’s Office of Housing
9 and Community Development) under the Local Operating Subsidy Program (“LOSP”), with
10 related management, services and amenity space, associated landscape and access
11 improvements, and a pedestrian walkway with public access; and

12 WHEREAS, Mercy’s commercial development entity Transbay 2 Family Commercial,
13 LLC, a California limited liability company (“Transbay 2 Family Commercial”), has agreed to
14 enter into a ground lease with OCII to develop the childcare and community-serving
15 commercial component of the Block 2 East Project, approximately 8,406 square feet of
16 childcare and community-serving commercial space at the ground floor of the Block 2 East
17 Project subject to the requirements of Mayor’s Office of Housing and Community
18 Development’s Commercial Underwriting Guidelines for community-serving uses; and

19 WHEREAS, On March 19, 2024, the Successor Agency Commission adopted
20 Resolution 07-2024 approving an affordable housing ground lease with Transbay 2 Family
21 and a childcare and community commercial space ground lease with Transbay 2 Family
22 Commercial, and a copy of the Successor Agency Commission Resolution is on file with the
23 Clerk of the Board of Supervisors in File No. 240308, and is incorporated herein by reference;
24 and

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1 WHEREAS, A Notice of 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 Health and Safety Code, Section 33433 (“33433 Report”), including a copy of the proposed
5 ground leases, and a summary of the transaction describing the cost of the ground leases to
6 OCII, the value of the property interest to be conveyed and other information, which was
7 made available for public inspection, and copies of the 33433 Report, including proposed
8 ground leases and summary of the transaction are on file with the Clerk of the Board of
9 Supervisors in File No. 240308, and are incorporated herein by reference; now, therefore, be
10 it

11 RESOLVED, That the Board of Supervisors does hereby find and determine that the
12 residential ground lease of Block 2 East from OCII to Transbay 2 Family and the childcare and
13 community-serving commercial ground lease from OCII to Transbay 2 Family Commercial: 1)
14 include consideration to be received by OCII that is not less than the fair reuse value at the
15 use and with the covenants and conditions and development costs included in the ground
16 leases; and 2) will assist in the elimination of blight by converting a former temporary bus
17 terminal parking lot and off-ramps serving the now-demolished historic Transbay Terminal into
18 a high-density, mixed-use affordable housing and community-serving commercial
19 development with open space; and, be it

20 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
21 authorizes OCII to execute the residential ground lease with Transbay 2 Family and the
22 childcare and community-serving commercial ground lease with Transbay 2 Family
23 Commercial, for the lease and development of Block 2 East from OCII, substantially in the
24 form lodged with the Clerk of the Board of the Supervisors, and to take such further actions
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1 and execute such documents as are necessary to carry out the ground leases on behalf of
2 OCII; and, be it

3 FURTHER RESOLVED, That all actions authorized and directed by this Resolution and
4 heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors;
5 and, be it

6 FURTHER RESOLVED, That within thirty (30) days of the ground leases being fully
7 executed by all parties, OCII shall provide the final ground leases to the Clerk of the Board of
8 Supervisors for inclusion into the official file.

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