FILE NO. 240797

LEGISLATIVE DIGEST

[Development Agreement Amendment - Laurel Heights Partners, LLC - 3333 California Street Project - California Street at Presidio Avenue]

Ordinance approving an amendment to a Development Agreement (originally approved by Ordinance No. 276-19) for the 3333 California Street project between the City and County of San Francisco and Laurel Heights Partners, LLC, to extend the term, modify the affordable housing requirements, allow the project to qualify for the Temporary Fee Reduction Program under Planning Code, Section 403, and include a finance plan with a framework to use incremental property tax revenue to fund the Project's public capital facilities and affordable housing; and making findings under the California Environmental Quality Act, and findings of conformity with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b).

Background Information

Laurel Heights Partners, LLC, a Delaware limited liability company ("Developer"), owns approximately 10.25 acres of developed land in San Francisco that is generally bounded by California Street to the north, Presidio Avenue to the east, Masonic Avenue to the southeast, Euclid Avenue to the south, and Laurel Street and Mayfair Drive to the west (the "Developer Property"). The Developer and the City and County of San Francisco ("City") executed a Development Agreement dated as of September 11, 2020 ("Original Agreement"), for Developer's proposed development of a mixed-use project with residential, non-residential, open space, child care, and related uses ("Project") on the Developer Property. The Original Agreement was approved by the Board of Supervisors and Mayor pursuant to Ordinance No. 276-019, and amended by a Memorandum of Minor Modification of Development Agreement (Amendment No. 1) dated as of June 5, 2024 (as amended, the "Modified Development Agreement").

Proposed Amendment

Project initiation has been delayed due to increases in construction and labor costs, a worldwide pandemic, rising interest rates, and a slowing of the real estate market. The Developer and City wish to modify the Modified Development Agreement to improve financial feasibility and expedite delivery of the Project, which is critical to meeting the City's housing production goals established under its Housing Element 2022 Update of the General Plan and the Mayor's Housing for All implementation strategy. The proposed modifications to the Modified Development Agreement, along with the formation of Enhanced Infrastructure Financing District No. 3 (3333/3700 California Street), will enable the advancement of the Project and provide much-needed new market rate and senior affordable housing in a high-resource district in San Francisco.

The proposed modifications to the Modified Development Agreement would (i) extend the term of the Modified Development Agreement, the deadline to commence construction, and the outside date to complete construction of the affordable units, (ii) reduce the required number of affordable units, extend the timing for escrow deposits to fund the development of the affordable units, and authorize the Director of the Mayor's Office of Housing and Community Development to make certain changes to the affordable unit requirements, (iii) allow the Project to qualify for the Temporary Fee Reduction Program under Planning Code Section 403, and (iv) include a financing plan with the framework for using incremental property tax revenue to fund the Project's public capital facilities and affordable housing, providing significant benefits to Enhanced Infrastructure Financing District No. 3 (3333/3700 California Street) ("EIFD No. 3") or the surrounding community, and make necessary revisions to the Modified Development Agreement for the establishment of EIFD No. 3 and use of that incremental property tax revenue.

The ordinance would also allow the Project to qualify as a Pipeline Project, as defined in Planning Code Section 415A.2, for the Temporary Fee Reduction Program under Planning Code Section 403 and waives any inconsistent provision in Planning Code Section 403.

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