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

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

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

WHEREAS, The Board of Supervisors of the City adopted the Transbay

Redevelopment Project Area (the "Project Area") in order to undertake a variety of projects

and activities to alleviate blighting conditions; and

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

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

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

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

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

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

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

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

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

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

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

mandated affordable housing program; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



City and County of San Francisco Tails

City Hall 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102-4689

Resolution

File Number:

160285

Date Passed: May 03, 2016

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April 27, 2016 Budget and Finance Sub-Committee - RECOMMENDED

May 03, 2016 Board of Supervisors - ADOPTED

Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

File No. 160285

I hereby certify that the foregoing Resolution was ADOPTED on 5/3/2016 by the Board of Supervisors of the City and County of San Francisco.

Clerk of the Board