

1 [Option to Ground Lease - Potrero Housing Associates I, L.P. - Two Parcels at 1101
2 Connecticut Street - For No Cost]

3 **Resolution authorizing the execution and performance of an Option to Ground Lease in**
4 **connection with the parcels located at 1101 Connecticut Street (Assessor's Parcel**
5 **Block No. 4287, Lot No. 007) ("Parcel One") and Connecticut Street and 25th Street**
6 **(Assessor's Parcel Block No. 4287, No. Lot 001A) ("Parcel Two" and together with**
7 **Parcel One, "the Property") for no cost, which expires on June 30, 2017, with an**
8 **extension option of six months until December 31, 2017, between the City and County**
9 **of San Francisco and Potrero Housing Associates I, L.P., a California limited**
10 **partnership; adopting findings that the conveyance is consistent with the General Plan,**
11 **and the eight priority policies of Planning Code, Section 101.1; and authorizing and**
12 **directing the execution of any documents necessary to implement this Resolution, as**
13 **defined herein.**

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15 WHEREAS, In August 2007, the San Francisco Board of Supervisors established the
16 HOPE SF program to fund revitalization of San Francisco's most distressed public housing
17 (Ordinance No. 180-07 and 556-07); and

18 WHEREAS, In October 2007, the Housing Authority of San Francisco ("SFHA") issued
19 a Request for Qualifications to Redevelop Authority Property for seven sites including Potrero
20 Terrace and Potrero Annex ("Potrero"); and

21 WHEREAS, In March 2008, the SFHA Board of Commissioners selected BRIDGE
22 Housing Corporation as the developer for the revitalization of Potrero through HOPE SF; and

23 WHEREAS, In April 2008, the Mayor's Office of Housing and Community Development
24 ("MOHCD") issued a Notice of Funding Availability for selected HOPE SF developers and
25 BRIDGE Housing Corporation was recipient for Potrero; and

1 WHEREAS, In September 2008, BRIDGE Housing Corporation entered into an
2 Exclusive Negotiating Rights Agreement with the SFHA for Potrero, which is inclusive of the
3 Property; and

4 WHEREAS, MOHCD is the fee owner of Parcel One and shall enter into an Option to
5 Purchase and Sale Agreement for Parcel Two; and

6 WHEREAS, MOHCD intends to merge Parcel One and Parcel Two to facilitate
7 affordable housing development consisting of approximately 72 units for low income families
8 and individuals on the assembled parcel as part of HOPE SF Potrero; and

9 WHEREAS, BRIDGE Housing Corporation established a separate entity named
10 Potrero Housing Associates I, L.P., a California limited partnership under which to lease the
11 Property and develop the Project; and

12 WHEREAS, The Option expires on June 30, 2017, with an extension option for one
13 additional 6-month period, and sets forth the material terms of the Ground Lease as follows:
14 (i) a term of 75 years with an extension option for 24 additional years; (ii) tenant shall be
15 responsible for all property taxes and assessments levied against the Property; (iii) the
16 Property shall be used during the term of the ground lease only for affordable housing with
17 maximum rent and income levels set at no greater than 60% area median income ("AMI"); (iv)
18 the annual rent shall be set at 10% of fair market value of the land as determined by an MAI
19 appraiser prior to execution of the Ground Lease (the "Rent"); (v) Rent shall consist of an
20 annual base rent of Fifteen Thousand Dollars (\$15,000) (the "Base Rent") and the remainder
21 in residual rent, which shall be payable only to the extent proceeds are available from the
22 Project at all times thereafter; (vi) the annual rent shall be adjusted on the fifteenth (15th)
23 anniversary of the expiration of the first full calendar lease year and every fifteenth (15th) year
24 thereafter, and shall be equal to ten percent (10%) of then appraised value of the land as
25 determined by a MAI appraiser selected by, and at the sole cost of, the tenant; any such

1 adjustment shall be made to the residual rent and not the base rent; (vii) tenant shall be
2 responsible for construction, operation and maintenance of the Property; (viii) the City will own
3 fee title to the land and the tenant will own fee title to all improvements; (ix) at the end of the
4 term, fee title to all the improvements shall vest in the City; (x) the Ground Lease shall include
5 standard mortgagee protection provisions; (xi) the City will provide any notice of and defaults
6 to the tenant and the tenant's limited partners and lenders and allow any such parties the right
7 to cure such default; (xii) the tenant can encumber its leasehold interest to secure loans, as
8 approved by MOHCD; and

9 WHEREAS, In order to consummate the transfer and ground lease of the Property, the
10 Board of Supervisors desires to authorize the execution, delivery and performance of the
11 Option and, if the Sponsor exercises the Option, the Ground Lease (collectively, the
12 "Transaction Documents"); and

13 WHEREAS, By letter dated January 13, 2016, the Department of City Planning
14 adopted and issued a General Plan Consistency Finding, a copy of which is on file with the
15 Clerk of the Board of Supervisors, wherein the Department of City Planning found that the
16 acquisition of the Property are consistent with the City's General Plan, and with the eight
17 priority policies under Planning Code, Section 101.1; and

18 WHEREAS, On December 10, 2015, the Department of City Planning certified the
19 Final Environmental Impact Report (Motion No. 19529), adopted CEQA Finding including a
20 statement of overriding considerations (Motion No. 19530), and adopted Findings of
21 Consistency with the General Plan and Planning Code, Section 101.1 (Motion No. 19531);
22 now, therefore, be it

23 RESOLVED, That the Board of Supervisors hereby finds that the ground lease terms
24 contained in the Option of the Property are consistent with the General Plan, and with the
25 eight priority policies of Planning Code, Section 101.1 for the same reasons as set forth in the

1 letter of the Department of City Planning, dated January 13, 2016, and hereby incorporates
2 such findings by reference as though fully set forth in this Resolution; and, be it

3 FURTHER RESOLVED, That in accordance with the recommendation of the Director
4 of Property and the Director of MOHCD, the Board of Supervisors approves the Transaction
5 Documents, and authorizes the Director of Property (or his designee) and the Director of
6 MOHCD (or his designee) to execute and deliver the Transaction Documents and any such
7 other documents that are necessary or advisable to complete the transaction contemplated by
8 the Transaction Documents, including the Ground Lease (if the Sponsor exercises the
9 Option); and, be it

10 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
11 Property (or his designee) and the Director of MOHCD (or his designee), in consultation with
12 the City Attorney, to enter into any additions, amendments or other modifications to the Option
13 and, if the Option is exercised, the Ground Lease, and any other documents or instruments
14 necessary in connection therewith, that the Director of Property and the Director of MOHCD
15 determine are in the best interests of the City, do not materially decrease the benefits to the
16 City with respect to the Property, do not materially increase the obligations or liabilities of the
17 City, and are necessary or advisable to complete the transaction contemplated therein and
18 that effectuate the purpose and intent of this Resolution, such determination to be
19 conclusively evidenced by the execution and delivery by the Director of Property (or his
20 designee) and the Director of MOHCD (or his designee) of any such additions, amendments,
21 or other modifications; and, be it

22 FURTHER RESOLVED, That all actions authorized and directed by this Resolution
23 and heretofore taken are hereby ratified, approved and confirmed by this Board of
24 Supervisors.

1 RECOMMENDED:

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4 John Updike, Director of Property
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7 Olson Lee, Director, Mayor’s Office of Housing and Community Development
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