

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 18-0079

WHEREAS, The City and County of San Francisco (“City”) owns certain real property presently under the jurisdiction of the San Francisco Public Utilities Commission (“SFPUC”) consisting of approximately 1.96 acres of SFPUC Parcel 201-A in Mountain View, California (“Premises”); and

WHEREAS, The City, acting through the SFPUC, entered into a 51-year ground lease with Mountain View Apartments Limited Partnership dated February 26, 1980 (“Original Lease”) for the use of the Premises for parking and landscaping, ingress and egress, and emergency vehicle access to serve the adjacent affordable housing complex (“Shorebreeze Apartments”) serving low-income families and seniors; and

WHEREAS, The Original Lease was approved by Commission Resolution No. 80-0085 dated February 26, 1980 and Board of Supervisors Resolution No. 242-80 dated March 24, 1980; and

WHEREAS, The MidPen Housing Corporation (“MidPen Housing”), a California nonprofit corporation and nonprofit affordable housing developer, is Mountain View Apartments Limited Partnership’s successor-in-interest under the Original Lease; and

WHEREAS, In response to the regional housing crisis in the San Francisco Bay Area, MidPen Housing and the City of Mountain View decided in 2014 to rehabilitate and expand the Shorebreeze Apartments; and

WHEREAS, On January 30, 2018, the City of Mountain View approved an amendment to its Precise Plan to add 50 net new affordable housing units (“Project”) at the Shorebreeze Apartments (“Redevelopment Plan”); and

WHEREAS, MidPen Housing identified certain funding sources for the Redevelopment Plan including project-based vouchers from the County of Santa Clara Housing Authority, \$7.32 million from the City of Mountain View, \$500,000 from the Housing Trust Silicon Valley, \$13.9 million of tax credit equity financing allocated by the State of California, and \$1.9 million of contributed developer fees earmarked for the creation of affordable housing in the City of Mountain View (“Funding Partners”); and

WHEREAS, The Funding Partners require a lease with a minimum 60-year term and a predetermined ground lease rent payment schedule over the full 60-year term to meet certain regulatory financing requirements for federal tax credits and local funding; and

WHEREAS, The Original Lease has only approximately 13 years of term remaining until the scheduled expiration of the Original Lease on March 31, 2031; and

WHEREAS, MidPen Housing desires to obtain a new 60-year lease (“New Lease”) for the use of the Premises for parking, landscaping, and temporary staging (“Improvements”) on the Premises to serve the adjacent Shorebreeze Apartments; and

WHEREAS, To facilitate its project financing, MidPen Housing created a limited partnership/corporate general partner ownership structure to serve as the tenant under the New Lease, and MP Shoreline Associates Limited Partnership and MP Shorebreeze Associates, L.P. (each a Co-tenant and collectively, "Tenant") under the New Lease are affiliates of MidPen Housing, and the corporate general partners of the Co-Tenants are IRS Section 501(c)(3) charitable organizations wholly owned and controlled by MidPen Housing; and

WHEREAS, The SFPUC desires to enter into the New Lease; and

WHEREAS, The proposed rent schedule in the New Lease provides for rent that increases every five years in predetermined increments during the 60-year term, and reflects an imputed 3% annual inflation factor; and

WHEREAS The stepped rent schedule is derived from the current fair market rent as determined by a MAI appraisal performed by Clifford Advisory, LLC dated January 25, 2018, discounted at 50%; and

WHEREAS, In 2011, the SFPUC adopted the Community Benefits Program by its Resolution No. 11-0008, which seeks to serve and foster partnership with communities in SFPUC service areas and to ensure public benefits are shared across all communities; and

WHEREAS, Tenant is controlled by a nonprofit organization with a charitable purpose and its affordable housing programs are considered an important community benefit to residents in Mountain View and other SFPUC service areas; and

WHEREAS, The New Lease benefits the SFPUC's primary utility purposes by eliminating SFPUC maintenance costs for the surface of the Premises and by requiring Tenant to pay property and possessory interest taxes; and

WHEREAS, On January 27, 2018, acting as the lead agency, the City of Mountain View adopted a Negative Declaration for the Shorebreeze Apartment Project pursuant to the provisions of the California Environmental Quality Act (CEQA) Guidelines; and

WHEREAS, The City of Mountain View's adoption of the Negative Declaration and approval of the Project and other materials that are part of the record of this approval are available for public review at the SFPUC offices, Real Estate Services Division, 525 Golden Gate Avenue, 10th Floor, San Francisco, CA; and

WHEREAS, Since the City of Mountain View approved the Project, there have been no substantial changes in the Project or changes in Project circumstances that would result in significant adverse effects, and there is no new information of substantial importance that would change the conclusions set forth in the Negative Declaration.

WHEREAS, This Commission has reviewed the Negative Declaration and has determined that the SFPUC's issuance of a lease to carry out the portion of the Project that requires the use of the SFPUC ROW is within the scope of the Project's CEQA approval, and that these documents are adequate for the SFPUC's use in approving the lease renewal for the Project; now, therefore, be it

RESOLVED, This Commission has reviewed and considered the Negative Declaration and record, finds that the Negative Declaration is adequate for its use as the decision-making body for the action taken herein; and be it

FURTHER RESOLVED, This Commission finds that since the Negative Declaration was finalized, there have been no substantive Project changes and no substantial changes in project circumstances that would require revisions to the Negative Declaration due to the involvement of significant adverse effects, and there is no new information of substantial importance that would change the conclusions set forth in the Negative Declaration; and be it

FURTHER RESOLVED, That this Commission hereby finds that the New Lease's below market rent is warranted because it facilitates MidPen Housing's expansion of affordable housing on its adjacent property, a public benefit that is consistent with this Commission's Community Benefits Policy, adopted by Resolution No. 11-0008 to better serve and foster partnership with communities in all SFPUC service areas, while still providing a utility purpose by relieving the SFPUC of the significant cost of ongoing maintenance and security; and, be it

FURTHER RESOLVED, That this Commission hereby approves the terms and conditions of this New Lease; and, be it; and be it

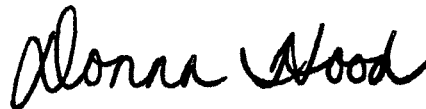
FURTHER RESOLVED, That this Commission hereby ratifies, approves and authorizes all actions heretofore taken by any City official in connection with this New Lease; and be it

FURTHER RESOLVED, That this Commission authorizes the General Manager to seek approval of the New Lease from the Board of Supervisors pursuant to Charter Section 9.118; and be it

FURTHER RESOLVED, That upon such approval, this Commission hereby authorizes and directs the SFPUC General Manager to execute the New Lease; and, be it

FURTHER RESOLVED, That this Commission hereby authorizes the SFPUC General Manager to enter into any amendments or modifications to this New Lease, including without limitation, the exhibits, that the General Manager determines, in consultation with the City Attorney, are in the best interest of the City; do not materially increase the obligations or liabilities of the City; are necessary or advisable to effectuate the purposes and intent of the Lease or this resolution; and are in compliance with all applicable laws, including the City Charter.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of May 8, 2018.



Secretary, Public Utilities Commission