

1 [Real Property Lease - MP Shoreline Associates Limited Partnership and MP  
2 Shorebreeze Associates, L.P. - 460 N. Shoreline Boulevard, Mountain View, California -  
3 \$100,874 Annual Base Rent]

4 **Resolution authorizing the lease of property from the City and County of San**  
5 **Francisco, to MP Shoreline Associates Limited Partnership and MP Shorebreeze**  
6 **Associates, L.P., each a California limited partnership, for a term of**  
7 **approximately 60 years, with the base rent of \$100,874 per year with an increase**  
8 **every five years in predetermined increments, and with a 3% annual inflation factor,**  
9 **to commence following Board approval; and authorizing the Director of Property**  
10 **and/or the San Francisco Public Utilities Commission General Manager to execute**  
11 **documents, make certain modifications, and take certain actions in furtherance of**  
12 **this Resolution, as defined herein.**

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14 WHEREAS, The City and County of San Francisco (City) owns certain real  
15 property presently under the San Francisco Public Utilities Commission (SFPUC),  
16 consisting of approximately 1.96 acres of SFPUC Parcel No. 201-A in Mountain View,  
17 California (Premises); and

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

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

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

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

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

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

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

19           WHEREAS, The Original Lease has only approximately 13 years of term remaining  
20 until the Original Lease is due to expire on March 31, 2031; and

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

24           WHEREAS, To facilitate the project financing, MidPen Housing created a limited  
25 partnership/corporate general partner ownership structure to serve as the tenant under

1 the New Lease, and MP Shoreline Associates Limited Partnership and MP Shorebreeze  
2 Associates, L.P. (each a Co-tenant and collectively, "Tenant") under the New Lease are  
3 affiliates of MidPen Housing, and the corporate general partners of the Co-Tenants are  
4 IRS Section 501(c)(3) charitable organizations wholly owned and controlled by MidPen  
5 Housing; and

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

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

13 WHEREAS, To meet the Funding Partners' regulatory requirements for a lease  
14 with a predetermined ground lease rent payment schedule over the 60-year term, the  
15 New Lease provides that the base rent be set at \$100,874 per year and shall increase  
16 every five years in predetermined increments during the term, and reflects an imputed 3%  
17 annual inflation factor; and

18 WHEREAS, The stepped rent schedule is derived from the current fair market rent  
19 as determined by a MAI appraisal performed by Clifford Advisory, LLC dated  
20 January 25, 2018 (Clifford Appraisal), discounted at 50% of the value of the land adjusted  
21 by a 5.5% yield rate, a present value analysis, and a 3% internal rate of return, as  
22 approved by SFPUC Resolution No. 18-0079 dated May 8, 2018; and

23 WHEREAS, The Clifford Appraisal was deemed reasonable by a MAI appraisal  
24 review performed by R. Blum and Associates dated March 22, 2018; and

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

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

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

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

16           WHEREAS, The Board of Supervisors has reviewed the Negative Declaration  
17 and has determined that the City’s issuance of a lease to carry out the portion of the  
18 Project that requires the use of the SFPUC ROW is within the scope of the Project's  
19 CEQA approval, and that these documents are adequate for the City’s use in approving  
20 the lease renewal for the Project; and

21           WHEREAS, Pursuant to Section 23.03 of the San Francisco Administrative Code,  
22 the SFPUC, through the Director of Property, has obtained an appraisal of the Premises  
23 that concluded that the annual fair market rental value of the Premises is \$316,000; and

24           WHEREAS, Section 23.03 of the San Francisco Administrative Code provides that  
25 the Board of Supervisors may authorize the lease of City real property for a lesser sum

1 than fair market rent if the Board of Supervisors finds that such a lease will further a  
2 proper public purpose; and

3 WHEREAS, On May 8, 2018, by SFPUC Resolution No. 18-0079 (SFPUC  
4 Resolution), a copy of which is on file with the Clerk of the Board of Supervisors under  
5 File No. 180639, which is incorporated herein by this reference, the SFPUC approved the  
6 New Lease, and authorized the SFPUC General Manager and/or the Director of Property  
7 to undertake the process to, following Board of Supervisors approval of the New Lease,  
8 accept and execute the New Lease and any other related documents necessary to  
9 consummate the transactions contemplated therein, in the form approved by the City  
10 Attorney; and

11 WHEREAS, San Francisco Charter, Section 8B.121 (a) grants the SFPUC  
12 Commission the exclusive charge of the real property assets under the Commission's  
13 jurisdiction, and Charter, Section 9.118(c) requires that any City lease of real property  
14 having a term of ten or more years or anticipated revenue to the City of \$1,000,000 or  
15 more be approved by resolution of the Board of Supervisors; and

16 WHEREAS, The New Lease, and SFPUC Resolution (Project File) have been  
17 made available for review by the Board of Supervisors and the public, and those files are  
18 considered part of the record before this Board; and

19 WHEREAS, The Board of Supervisors has reviewed and considered the  
20 information contained in Project File; now, therefore, be it

21 RESOLVED, The Board of Supervisors, having reviewed and considered the  
22 Project File, finds that the proposed New Lease is in the best interest of the City, does  
23 not materially increase the obligations or liabilities of the City; and is in compliance with  
24 all applicable laws, including the City Charter; and, be it

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1           FURTHER RESOLVED, That in accordance with the recommendations of the  
2 SFPUC General Manager and the Director of Property, the Board of Supervisors  
3 hereby approves the New Lease and the transaction contemplated thereby in  
4 substantially the form of such instrument presented to this Board; and, be it

5           FURTHER RESOLVED, That the Board of Supervisors authorizes the Director  
6 of Property and/or the SFPUC's General Manager to enter into any additions,  
7 amendments, or other modifications to the New Lease that the Director of Property  
8 and/or the SFPUC's General Manager determines are in the best interest of the City,  
9 do not materially increase the obligations or liabilities of the City or materially diminish  
10 the benefits to the City, and are necessary or advisable to complete the transaction  
11 contemplated in the New Lease and effectuate the purpose and intent of this resolution,  
12 such determination to be conclusively evidenced by the execution and delivery by the  
13 Director of Property or the SFPUC's General Manager of the New Lease and any  
14 amendments thereto; and, be it

15           FURTHER RESOLVED, That the Director of Property and/or the General  
16 Manager of the SFPUC are hereby authorized and urged, in the name and on behalf of  
17 the City and County, to execute and deliver the New Lease with Tenant, in substantially  
18 the form of such instrument presented to this Board, and to take any and all steps  
19 (including, but not limited to, the execution and delivery of any and all certificates,  
20 agreements, notices, consents, and other instruments or documents) as the Director of  
21 Property or the SFPUC General Manager deems necessary or appropriate in order to  
22 consummate the New Lease, or to otherwise effectuate the purpose and intent of this  
23 Resolution, such determination to be conclusively evidenced by the execution and  
24 delivery by the Director of Property or SFPUC General Manager of any such  
25 documents.

1 FURTHER RESOLVED, That within thirty (30) days of the contract being fully executed  
2 by all parties, the San Francisco Public Utilities Commission and/or the Real Estate  
3 Department shall provide the final contract to the Clerk of the Board for inclusion into the  
4 official file.

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1 RECOMMENDED:

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4 Director of Property  
Real Estate Division

5 RECOMMENDED:

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General Manager  
San Francisco Public Utilities Commission

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