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

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

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

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

WHEREAS, In April 2008, the Mayor's Office of Housing and Community Development ("MOHCD") issued a Notice of Funding Availability for selected HOPE SF developers and BRIDGE Housing Corporation was recipient for Potrero; and
WHEREAS, In September 2008, BRIDGE Housing Corporation entered into an
Exclusive Negotiating Rights Agreement with the SFHA for Potrero, which is inclusive of the
Property; and
WHEREAS, MOHCD is the fee owner of Parcel One and shall enter into an Option to
Purchase and Sale Agreement for Parcel Two; and
WHEREAS, MOHCD intends to merge Parcel One and Parcel Two to facilitate
affordable housing development consisting of approximately 72 units for low income families
and individuals on the assembled parcel as part of HOPE SF Potrero; and
WHEREAS, BRIDGE Housing Corporation established a separate entity named
Potrero Housing Associates I, L.P., a California limited partnership under which to lease the
Property and develop the Project; and
WHEREAS, The Option expires on June 30, 2017, with an extension option for one
additional 6-month period, and sets forth the material terms of the Ground Lease as follows:
(i) a term of 75 years with an extension option for 24 additional years; (ii) tenant shall be
responsible for all property taxes and assessments levied against the Property; (iii) the
Property shall be used during the term of the ground lease only for affordable housing with
maximum rent and income levels set at no greater than 60% area median income ("AMI"); (iv)
the annual rent shall be set at 10% of fair market value of the land as determined by an MAI
appraiser prior to execution of the Ground Lease (the "Rent"); (v) Rent shall consist of an
annual base rent of Fifteen Thousand Dollars ($15,000) (the "Base Rent") and the remainder
in residual rent, which shall be payable only to the extent proceeds are available from the
Project at all times thereafter; (vi) the annual rent shall be adjusted on the fifteenth (15th)
anniversary of the expiration of the first full calendar lease year and every fifteenth (15th) year
thereafter, and shall be equal to ten percent (10%) of then appraised value of the land as
determined by a MAI appraiser selected by, and at the sole cost of, the tenant; any such
adjustment shall be made to the residual rent and not the base rent; (vii) tenant shall be responsible for construction, operation and maintenance of the Property; (viii) the City will own fee title to the land and the tenant will own fee title to all improvements; (ix) at the end of the term, fee title to all the improvements shall vest in the City; (x) the Ground Lease shall include standard mortgagee protection provisions; (xi) the City will provide any notice of and defaults to the tenant and the tenant’s limited partners and lenders and allow any such parties the right to cure such default; (xii) the tenant can encumber its leasehold interest to secure loans, as approved by MOHCD; and

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

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

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

RESOLVED, That the Board of Supervisors hereby finds that the ground lease terms contained in the Option of the Property are consistent with the General Plan, and with the eight priority policies of Planning Code, Section 101.1 for the same reasons as set forth in the
letter of the Department of City Planning, dated January 13, 2016, and hereby incorporates such findings by reference as though fully set forth in this Resolution; and, be it

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

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

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

John Updike, Director of Property

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

June 08, 2016 Budget and Finance Committee - RECOMMENDED

June 14, 2016 Board of Supervisors - ADOPTED

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

I hereby certify that the foregoing Resolution was ADOPTED on 6/14/2016 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Date Approved