Resolution approving the disposition of land located on the southern one-third of the block bounded by Howard, Spear, Folsom, and Main Streets, Assessor's Parcel Block No. 3740, Lot No. 027, by the Office of Community Investment and Infrastructure, as Successor Agency to the San Francisco Redevelopment Agency, to Block One Property Holder, L.P., a Delaware limited partnership and an affiliate of Tishman Speyer, for the purpose of developing affordable for-sale housing for low and moderate income households; and making findings under California Health and Safety Code, Section 33433.

WHEREAS, The Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors") adopted, by Ordinance Nos. 124-05 (June 23, 2005) and 99-06 (May 19, 2006), the Redevelopment Plan for the Transbay Redevelopment Project Area, (the "Project Area") and has amended it from time to time (the "Redevelopment Plan"), to undertake a variety of projects and activities to alleviate blighting conditions and to provide affordable housing; and

WHEREAS, The Board of Supervisors, as the legislative body for the City and County of San Francisco, shall approve, under Section 33433 of California's Health and Safety Code ("Health and Safety Code"), the sale or lease of parcels that a redevelopment agency acquired with tax increment moneys; and

WHEREAS, In 2003, the Redevelopment Agency of the City and County of San Francisco ("Former Agency") acquired Assessor's Parcel Block No. 3740, Lot No. 027, with
tax increment moneys from the Low and Moderate Income Housing Fund for the purpose of
developing affordable housing for low and moderate income households; and

WHEREAS, In 2003 the State of California Legislature enacted Assembly Bill 812
(“AB 812”) authorizing the demolition of the then-existing Transbay Terminal building and the
construction of the new Transbay Transit Center (the “Transit Center”) (Stat. 2003, Chapter
99, codified at Section 5027.1 of the California Public Resources Code) and requiring 25% of
the residential units developed in the Project Area be for low income households and an
additional 10% for moderate income households (the “Transbay Affordable Housing
Obligation”); and

WHEREAS, In 2005, the Transbay Joint Powers Authority (the “TJPA”) and the Former
Agency entered into an agreement to facilitate the implementation of the Redevelopment Plan
(“Implementation Agreement”), which required the Former Agency to (1) prepare and sell
certain State-owned Parcels to third parties, (2) deposit the sales proceeds into a trust
account to help finance the Transit Center and infrastructure, (3) implement the
Redevelopment Plan, and (4) fulfill the Transbay Affordable Housing Obligation; and

WHEREAS, On February 1, 2012, the Former Agency was dissolved under
Redevelopment Dissolution Law, California Health and Safety Code, Sections 34170 et seq.
and the Successor Agency to the Redevelopment Agency of the City and County of San
Francisco, commonly known as the Office of Community Investment and Infrastructure
(“Successor Agency” or “OCI”), assumed certain assets, rights and obligations of the Former
Agency; and

WHEREAS, On April 15, 2013, the California Department of Finance (“DOF”)
determined “finally and conclusively,” under Cal. Health & Safety Code § 34177.5 (i), that the
Implementation Agreement, the Transbay Affordable Housing Obligation, and the Transbay
Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement
("Pledge Agreement") are enforceable obligations that survived the dissolution of the Former Agency and became the responsibility of the Successor Agency; and

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

WHEREAS, The owners of private property in the Project Area may participate in the redevelopment of their property under the Rules Governing Participation by Property Owners, adopted by Redevelopment Agency Resolution No. 17-2005 (Jan. 25, 2005) (the "Owner Participation Rules"); and

WHEREAS, The Owner Participation Rules require that the owners of private property agree to conform to the Redevelopment Plan and provide that certain individual parcels should be aggregated to create efficient and marketable parcels to accomplish the purposes of, and conform to, the Redevelopment Plan; and

WHEREAS, The development site commonly known as Block 1 is a 54,098 square foot site on Folsom Street between Main and Spear Streets ("Site"), two blocks south and two blocks east of the future Transbay Transit Center; and

WHEREAS, The site consists of Assessor's Parcel Block No. 3740, Lot Nos. 027, 029, 030, 031, and 032; and

WHEREAS, Lot No. 027 is a 34,133 square foot parcel owned by OCI (the "Public Parcel"); Lot Nos. 029, 030, 031, and 032 are owned by Block One Property Holder, L.P., a Delaware limited partnership, and an affiliate of Tishman Speyer ("Developer") and consist of 19,965 square feet (the "Private Parcel") (together, "Block 1"); and

WHEREAS, In conformance with the Redevelopment Plan and the Owner Participation Rules, the Development Controls require that the Public Parcel be aggregated with the Private Parcel for suitable development on Block 1; and
WHEREAS, On November 18, 2014, the Commission on Community Investment and Infrastructure (the "Commission") unanimously approved by Resolution No. 45-2014, an Exclusive Negotiation Agreement (the "ENA") between the Developer and OCII so the parties could negotiate the terms of the sale of the Public Parcel and development of Block 1; and

WHEREAS, Block 1 is planned for a residential development including the following: 1) a market-rate residential component consisting of approximately 235 for-sale residential units in an up to 400-foot residential tower and adjacent townhomes; 2) an inclusionary affordable housing component consisting of 80 for-sale units in the tower and adjacent townhomes, 50 of which will be affordable to households earning 100% of area median income and 30 of which will be affordable to households earning 120% of area median income; 3) an OCII-subsidized affordable housing component consisting of 76 for-sale units all of which will be affordable to households earning 80 to 100% of area median income, with no more than an average of 90% of area median income; and 4) 10,210 square feet of ground floor retail ("Project"); and

WHEREAS, The development program for the Site conforms to the Redevelopment Plan, the Implementation Plan, the Transbay Affordable Housing Obligation, the Development Controls as amended, and the Transbay Redevelopment Project Area Streetscape and Open Space Concept Plan; and

WHEREAS, The development program for the Site required an amendment to the Redevelopment Plan to increase the maximum height limit of the residential tower from 300 feet to 400 feet (the "Plan Amendment"), as well as a corresponding amendment to the Development Controls to reflect the Plan Amendment; and

WHEREAS, In accordance with those provisions of the Community Redevelopment Law, as amended by Redevelopment Dissolution Law, that authorize an amendment to a redevelopment plan, Cal. Health & Safety Code, Sections 33450 et seq., the Commission
approved the Plan Amendment by Resolution No. 2-2016 (January 19, 2016) and
amendments to the Development Controls by Resolution No. 28-2016 (June 21, 2016); and

WHEREAS, On February 25, 2016, the San Francisco Planning Commission
determined by Motion No. 19573 that the Plan Amendment conforms to the San Francisco
General Plan; and

WHEREAS, On April 26, 2016, the San Francisco Board of Supervisors adopted
Ordinance No. 062-16 approving the Plan Amendment; and

WHEREAS, On June 21, 2016, after holding a duly-noticed public hearing under
Section 33431 of the California Health and Safety Code, the Commission approved, by
Resolution No. 29-2016, an owner participation/ disposition and development agreement (the
“Block 1 Agreement") for the sale of the Public Parcel, the Developer's owner participation in
the development of Block 1, and development of the Site; and

WHEREAS, The Block 1 Agreement is on file with the Clerk of the Board in File No.
160755; and

WHEREAS, The consideration negotiated by OCII under the Block 1 Agreement for the
Public Parcel consists of several components that meet or exceed $50,180,000; and

WHEREAS, These components include: 1) the purchase price, based on an appraised
value of $19,180,000, that will not be paid in cash at close of escrow but instead will be
applied to the cost of development of the 76 units of affordable housing in the OCII Affordable
Project; 2) a percentage of affordable units and dispersal of affordable units within the Project
that exceed the ENA requirements and that result in the loss of Developer revenues of
approximately $17,000,000 (specifically, the number of affordable units increased from 141 to
156, resulting in a change in the overall level of Project affordability from 35% to 40%, and the
location of the units in the Developer Affordable Project changed from the lower floors of the
tower, as agreed upon in the ENA, to the first 26 floors of the tower); and 3) the Developer's
obligation to fund the full cost of the construction of the OCII Affordable Project, which results in a net cost to the Developer of approximately $14,000,000 because the construction costs exceed the projected sales revenues for these units; and

WHEREAS, The Block 1 Agreement includes other terms and conditions such as a $2,000,000 good faith deposit by the Developer to be refunded upon commencement of substantial construction; the right of OCII to record a reversionary quitclaim deed to take title to the Public Parcel at no cost to OCII if the Developer does not meet certain terms of the Block 1 Agreement, including reaching commencement of substantial construction within the timeline memorialized in the Block 1 Agreement; and Developer contribution of $225,000 to OCII or its designee for the purpose of protecting the residents of the Affordable Housing Units from excessive and/or increasing Homeowners Association ("HOA") costs (including litigation costs); and

WHEREAS, Developer has agreed to include in the Covenants Conditions and Restrictions (as defined in the Block 1 Agreement) a requirement that the Project's Market Rate HOA (as defined in the Block 1 Agreement) shall have the right, subject to concurrence of the Affordable Projects HOA (as defined in the Block 1 Agreement), to pursue, at the Market Rate HOA's sole cost, any claims related to construction defects within the Project, but without differentiating between market rate units and affordable units in any settlement (the "HOA Claims Right"), subject to governing laws and to the review and approval of the California Bureau of Real Estate; and

WHEREAS, Because the Public Parcel was acquired with tax increment moneys, Section 33433 of the California Health and Safety Code requires the Board of Supervisors' approval of its sale, after public hearing, and a determination that the sales price meets or exceeds the standards for fair market value or fair reuse value in Section 33433; and
WHEREAS, The Board of Supervisors held a public hearing on this matter on July 25, 2016, and notice of the public hearing was published consistent with Health and Safety Code Section 33433; and

WHEREAS, OCII prepared and submitted a report consistent with the requirements of Health and Safety Code, Section 33433, and a summary of the transaction describing the cost of the Block 1 Agreement to OCII, the value of the property interest to be conveyed, the purchase price and other information, a copy of which is on file with the Clerk of the Board in File No. 160755 and was made available for public inspection; now, therefore, be it

RESOLVED, That the Board of Supervisors does hereby find and determine that the consideration that OCII will receive under the Block 1 Agreement is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the sale of the Public Parcel, based upon the following: 1) the Project consists of 156 below market rate homeownership units, which is 40% of the overall Project unit count; 2) Developer will construct, at its sole cost and expense, no fewer than 80 permanently affordable, for-sale units in the Project’s tower and adjacent townhomes, 50 of which will be affordable to households earning no more than 100% of area median income and 30 of which will be affordable to households earning no more than 120% of area median income; 3) Developer will construct, with no OCII subsidy, 76 for-sale units that are permanently affordable to households earning no more than an average of 90% of area median income in two connected podium buildings; and 4) Developer has agreed to other terms and conditions, set out above and including without limitation the HOA Claims Right, which provide additional benefit to OCII; and, be it

FURTHER RESOLVED, That the Board of Supervisors does hereby find and determine that the Block 1 Agreement will assist in the elimination of blight by converting an existing
underdeveloped site into a high-density, mixed-use, mixed-income residential development;

and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby approves and

authorizes OCII to execute the Block 1 Agreement for the sale of the Public Parcel by the

Office of Community Investment and Infrastructure to the Block One Property Holder, L.P, a

Delaware limited partnership and an affiliate of Tishman Speyer, substantially in the form of

the Block 1 Agreement lodged with OCII's General Counsel, and to take such further actions

and execute such documents as are necessary and appropriate to implement the Block 1

Agreement on behalf of OCII.
Resolution approving the disposition of land located on the southern one-third of the block bounded by Howard, Spear, Folsom, and Main Streets, Assessor's Parcel Block No. 3740, Lot No. 027, by the Office of Community Investment and Infrastructure, as Successor Agency to the San Francisco Redevelopment Agency, to Block One Property Holder, L.P., a Delaware limited partnership and an affiliate of Tishman Speyer, for the purpose of developing affordable for-sale housing for low and moderate income households; and making findings under California Health and Safety Code, Section 33433.

July 25, 2016 Land Use and Transportation Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

July 25, 2016 Land Use and Transportation Committee - RECOMMENDED AS AMENDED AS A COMMITTEE REPORT

July 26, 2016 Board of Supervisors - ADOPTED

Ayes: 10 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Peskin, Tang, Wiener and Yee

Absent: 1 - Mar

File No. 160755

I hereby certify that the foregoing Resolution was ADOPTED on 7/26/2016 by the Board of Supervisors of the City and County of San Francisco.

Angela Capiello
Clerk of the Board

Mayor

Date Approved

7/29/2016