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

WHEREAS, The City and County of San Francisco (City) owns certain real property presently under the San Francisco Public Utilities Commission (SFPUC), consisting of approximately 1.96 acres of SFPUC Parcel No. 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 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 SFPUC 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 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 60-year term to meet 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 Original Lease is due to expire on March 31, 2031; and

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

WHEREAS, To facilitate the 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, 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, To meet the Funding Partners’ regulatory requirements for a lease
with a predetermined ground lease rent payment schedule over the 60-year term, the
New Lease provides that the base rent be set at $100,874 per year and shall increase
every five years in predetermined increments during the 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 (Clifford Appraisal), discounted at 50% of the value of the land adjusted
by a 5.5% yield rate, a present value analysis, and a 3% internal rate of return, as
approved by SFPUC Resolution No. 18-0079 dated May 8, 2018; and

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

WHEREAS, The Board of Supervisors has reviewed the Negative Declaration and has determined that the City’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 City’s use in approving the lease renewal for the Project; and

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

WHEREAS, Section 23.03 of the San Francisco Administrative Code provides that the Board of Supervisors may authorize the lease of City real property for a lesser sum
than fair market rent if the Board of Supervisors finds that such a lease will further a
proper public purpose; and

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

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

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

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

RESOLVED, The Board of Supervisors, having reviewed and considered the
Project File, finds that the proposed New Lease is in the best interest of the City, does
not materially increase the obligations or liabilities of the City; and is in compliance with
all applicable laws, including the City Charter; and, be it
FURTHER RESOLVED, That in accordance with the recommendations of the SFPUC General Manager and the Director of Property, the Board of Supervisors hereby approves the New Lease and the transaction contemplated thereby in substantially the form of such instrument presented to this Board; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of Property and/or the SFPUC’s General Manager to enter into any additions, amendments, or other modifications to the New Lease that the Director of Property and/or the SFPUC’s General Manager determines are in the best interest of the City, do not materially increase the obligations or liabilities of the City or materially diminish the benefits to the City, and are necessary or advisable to complete the transaction contemplated in the New Lease and 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 the SFPUC’s General Manager of the New Lease and any amendments thereto; and, be it

FURTHER RESOLVED, That the Director of Property and/or the General Manager of the SFPUC are hereby authorized and urged, in the name and on behalf of the City and County, to execute and deliver the New Lease with Tenant, in substantially the form of such instrument presented to this Board, and to take any and all steps (including, but not limited to, the execution and delivery of any and all certificates, agreements, notices, consents, and other instruments or documents) as the Director of Property or the SFPUC General Manager deems necessary or appropriate in order to consummate the New Lease, or to otherwise 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 SFPUC General Manager of any such documents.
FURTHER RESOLVED, That within thirty (30) days of the contract being fully executed by all parties, the San Francisco Public Utilities Commission and/or the Real Estate Department shall provide the final contract to the Clerk of the Board for inclusion into the official file.
RECOMMENDED:

[Signature]

Director of Property
Real Estate Division

RECOMMENDED:

[Signature]

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

July 18, 2018 Government Audit and Oversight Committee - RECOMMENDED

July 24, 2018 Board of Supervisors - ADOPTED

Ayes: 9 - Cohen, Brown, Kim, Mandelman, Peskin, Ronen, Safai, Stefani and Yee
Excused: 2 - Fewer and Tang

I hereby certify that the foregoing Resolution was ADOPTED on 7/24/2018 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

Date Approved

3-2-18