

**MINUTES OF A REGULAR MEETING OF THE
COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE
OF THE CITY AND COUNTY OF SAN FRANCISCO HELD ON THE
16th DAY OF JULY 2013**

The members of the Commission on Community Investment and Infrastructure of the City and County of San Francisco met in a regular meeting at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 416, in the City of San Francisco, California, at 1:00 p.m. on the 16th day of July 2013, at the place and date duly established for holding of such a meeting.

REGULAR MEETING AGENDA

1. Recognition of a Quorum

Meeting was called to order at 1:04 p.m. Roll call was taken.

Commissioner Ellington – present
Commissioner Mondejar - present
Vice-Chair Rosales – present
Commissioner Singh – present
Chair Johnson – present

All Commissioners were present.

2. Announcements

A. The next scheduled Commission meeting will be a Special Meeting held on Tuesday, July 30, 2013 at 1:00 pm (City Hall, Room 416).

B. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

C. Announcement of Time Allotment for Public Comments

3. Report on actions taken at previous Closed Session meeting, if any – None.

4. Matters of Unfinished Business

ITEMS 4 (a) AND 4 (b) ARE MATTERS OF UNFINISHED BUSINESS CONTINUED FROM THE July 2, 2013 COMMISSION MEETING. ITEMS 4(a) and 4(b) WILL BE CALLED TOGETHER BUT VOTED ON SEPARATELY.

a) Adopting environmental findings pursuant to the California Environmental Quality Act and approving, subject to the review and approval of the Oversight Board and the Department of Finance, Part 1 of the Long Range Property Management Plan that addresses the disposition

and use of three properties: (1) an improved subterranean public parking garage commonly known as the Jessie Square Garage located generally below Jessie Square Plaza (Assessor's Block 3706, Lot 275 and portions of Lot 277); (2) an approximately 9,778-square-foot undeveloped parcel fronting Mission Street between Third and Fourth Streets adjacent to Jessie Square Plaza (Assessor's Block 3706, a portion of Lot 277); and (3) a 3,690-square-foot air rights parcel located above Jessie Square Plaza (Assessor's Block 3706, a portion of Lot 277). (Discussion and Action) (Resolution No. 31-2013)

- b) Adopting environmental findings pursuant to the California Environmental Quality Act and approving, subject to the review and approval of the Oversight Board and the Department of Finance, a Purchase and Sale Agreement with 706 Mission Co LLC and with the Mexican Museum, as a third party beneficiary, for the disposition and use of three properties: (1) an improved subterranean public parking garage commonly known as the Jessie Square Garage located generally below Jessie Square Plaza (Assessor's Block 3706, Lot 275 and portions of Lot 277); (2) an approximately 9,778-square-foot undeveloped parcel fronting Mission Street between Third and Fourth Streets adjacent to Jessie Square Plaza (Assessor's Block 3706, a portion of Lot 277); and (3) a 3,690-square-foot air rights parcel located above Jessie Square Plaza (Assessor's Block 3706, a portion of Lot 277). (Discussion and Action) (Resolution No. 32-2013)

Presenters: Tiffany Bohee, Executive Director; Christine Maher, OCII Development Specialist, Real Estate Division; Glenn Rescalvo, Partner, Handel Architects; Victor Marquez, General Counsel, Mexican Museum; Greg Johnson, Mexican Museum Project Manager; Sean Jeffries, Millennium Partners; Tim Kelly, President, Kaiser Marston Associates

PUBLIC COMMENT

Speakers: Tom Lippe, Lippe, Gaffney, Wagner, LLP; representing 765 Market Street Residential Owners Association & Friends of Yerba Buena; Rick Smith, District 6 resident; Arturo Taboada, Chair-Building Committee and Treasurer, Mexican Museum; David de la Torre, Director, Mexican Museum; Roberto Hernandez, native of San Francisco and Mission District resident; Margo Bradish, Cox, Castle & Nickelson, representing the applicant; Laura Espino, Youth program manager, Unity Council, Oakland; Ace Washington

Mr. Lippe read from a letter that stated that there were a few CEQA obligations that needed to be fulfilled but could not be based on the current state of the record. He explained that the Board of Supervisors had denied his client's appeal of the EIR on May 7 but since that time additional information had developed that required recirculation of a revised EIR and Mr. Lippe pointed out to the Commissioners that there were two obligations under CEQA that were currently pertinent: to find under CEQA guideline 15090 or 15096, depending on the status of the Commission as a separate legal entity from the City, that the EIR has been prepared in compliance with CEQA, which he stated could not be done in light of the new information. The other obligation was to find that the significant cumulative impact on shadow on Union Square had been mitigated to the maximum extent possible and he indicated that this could not be done either, based on the new information. The new information is the financial analysis by EPS which found that the project

that had been proposed at 520-550 feet is actually more than feasible and \$40 million more than feasible, which means that a lower height is also feasible. The height had been reduced since then to 480-510 feet but there had been no update to the EIR to indicate how effective that reduction in height would be to mitigate that significant impact and whether it was possible to lower the height even more to further mitigate that significant impact. Mr. Lippe reminded the Commission that it is the duty of the Commission under CEQA to adopt a finding under CEQA that any significant impact has been mitigated to the maximum extent feasible. He pointed out that there is no information to allow the Commission to do that. Mr. Lippe reported on the other new piece of information: the financial analysis from Eric Sussman, a UCLA Business School professor, who found that the reduced shadow alternative analyzed in the EIR which was 351 feet is actually financially feasible. Mr. Sussman critiqued the EPS study and found that on a number of variables that study had biased the analysis to finding that that alternative was not feasible. Mr. Lippe asserted that the EIR did not disclose that the tower portion of this project was within the jurisdiction of the Historic Preservation Commission and that the EIR has to comply with the requirements of Article 11 that require compatibility and scale between the tower and the Aronson Building and with the Conservation District in which it is located.

Mr. Smith endorsed this project and advocated for open space in District 6. Mr. Smith stated that he was a member of the District 6 Open Space task force and was advocating more parks in the area. He thanked the Commission and urged their support and thanked Millennium for their concern and work for pedestrian safety in this project.

Mr. Taboada endorsed this project and spoke about how happy he was to finally have the Mexican Museum ready to move forward. Mr. Taboada stated that the project sponsor and the Museum have worked diligently for the past two years with OCII staff to reduce the size of the proposed tower and shadow and other impacts while respecting the space and programmatic needs of the Museum. He asked that the Commission approve the PSA as proposed and thanked the Commission for their support.

Mr. de la Torre spoke in favor of the 706 Mission Street Mexican Museum and residential project purchase and sale agreement. He urged the Commission to approve and support the PSA as recommended by staff, which is critical to the success of the institution, which will hold the largest and most comprehensive collection of Mexican, Mexican-American, Chicano, Latino and Latin American art.

Mr. Hernandez stated that he had been involved with the community his entire life, as an organizer, a cultural worker, an artist and musician. Mr. Hernandez stated that he was a little boy when the idea of a Mexican Museum first blossomed, and he used to go to the museum at that time to learn about his Mexican heritage because in the schools there was no information about Mexican heritage. Mr. Hernandez stated that this was very important for Latinos in the Bay Area that this museum be built so that generations to come can learn about their heritage and also so that other cultures can learn about Mexican heritage as well. He pointed out that the museum is to be built in Yerba Buena, the area where many Mexicanos lived and worked in the shipyard and who eventually were evicted from that area due to gentrification of the City. Mr. Hernandez

stated that from his knowledge the amount of shadow which would be cast on Union Square would be 0.06%, which was discountable.

Ms. Bradish responded to one of the items raised by Mr. Lippe regarding the historical preservation Article 11 issues, which she stated had been exhaustively considered by the Board of Supervisors in the CEQA appeal and the Historic Preservation Commission. Ms. Bradish explained that at the time the EIR was prepared, the Aronson Building was not yet included in the Conservation District because mostly TransBay-related buildings are included within that district. The draft EIR did analyze the impacts of the project from an historic impact standpoint on both the Aronson building and the Conservation District and concluded that those impacts were not significant. The draft EIR also acknowledged that there was a proposal to expand the Conservation District and until that expansion occurred, the project was not within the jurisdiction of Article 11 or the Historic Preservation Commission. Ms. Bradish explained that after circulation of the draft EIR, the Board of Supervisors did expand the conservation district and consistent with Article 11, the project was heard by the Historic Preservation Commission at a full hearing, at which time they determined that the project met all the requirements of Article 11, including compatibility with the Aronson Building and the historic district. That item is on appeal and will be heard on July 23 by the Board of Supervisors, but in the meantime the environmental impact report is adequate and complies with CEQA.

Ms. Espino stated that she was present on behalf of the CEO of her organization, Cruz Iglesias, to show support for the development of the Mexican Museum.

Mr. Washington endorsed this project. Mr. Washington inquired about changing the time of the Commission meetings because they conflicted with meetings of the Board of Supervisors, he inquired about when the meetings will be televised and also when KPOO will start broadcasting the meetings on the radio. He also spoke in support of community reform and minority participation in the Transbay project.

Chair Johnson asked that a staff member come forward to address the EIR CEQA findings, the Conservation District status and the Aronson Building.

Ms. Maher responded that the OCII does need to adopt CEQA findings to ensure that the PSA is an implementing action for construction of the project pursuant to the approvals granted by the Planning Commission. She indicated that staff did consider and review the final environmental impact report which was distributed to Commissioners on June 21 as part of an informational memo and documents relating to the implementing action and that the EIR has been and continues to be available for review by the OCII and the public and are part of the record. Ms. Maher stated that the EIR analyzed various projects alternatives and the project sponsor hired EPS to analyze the feasibility of the alternatives. Independently, the OCII hired Kaiser Marston & Associates to review the assumptions used in the EPS analysis of the alternatives and concluded that the assumptions were reasonable and agreed with the outcomes of the EPS report, which found that the project alternatives were not feasible, and, in particular, the 351 foot alternative.

Ms. Maher deferred to Tim Kelly of Kaiser Marston to speak about his analysis and additional by Kaiser Marston analysis prepared in response to the Sussman report referred to by Mr. Lippe.

Mr. Kelly stated that his firm represented the OCII on the alternative sites around the Transbay terminal. Their assignment was to conduct a peer review of the EPS analysis, which was done and with which they agreed. Their job was to review the alternatives presented, not to come up with new alternatives. Mr. Kelly stated that one of the alternatives, called the “reduced shadow alternative” which was the 351’ alternative comprised of approximately 27 floors of sellable area and condominiums. Mr. Kelly discussed Los Angeles Professor Sussman’s analysis, who concluded that the alternative was feasible, and Mr. Kelly stated that they disagreed with that conclusion because the key issue was pricing and the most important variable in all the analyses. Mr. Kelly explained that pricing is most dramatic when a certain level is exceeded due to premium views. In the case of the 27 floor/351’ alternative, there were no premium views until the 25th floor. He pointed out that Professor Sussman’s analysis would generate a profit of \$100 million on 27 floors, but was basing this on an average unit price of \$3.4 million, starting over \$3 million on floor 3 up through floor 27. However, Mr. Kelly stated that this price was not achievable. Taking 301 Mission Tower as an example and sales in the last four quarters that ended in March 2013, the average sales on the first 27 floors were less than half of the \$3.4 million projected by Prof. Sussman and \$3 million was not achieved as a unit sale until substantially above 30 floors, and was actually about 40 floors. Professor Sussman’s analysis stated that the project would generate \$100 million in profit with a 351’ tower because there would be a \$3.4 million average sales price for 24 floors of condominiums but Mr. Kelly concluded that this price was not achievable and so the “reduced shadow alternative” was not a feasible alternative.

Chair Johnson reiterated that her understanding was that there were three issues: shadow impact, financial feasibility, and historic preservation of the Aronson Building. Ms. Johnson stated that she had not yet heard challenges on the historic preservation front and asked someone to speak to that issue. Ms. Johnson stated that she was requesting this to make sure that the comments were clarified for the OCII and the public as a rebuttal to the public comment that was made about challenges to the CEQA findings. Ms. Johnson reiterated that she had only heard discussion on two of the issues and that more discussion on the third issue was needed.

Executive Director Bohee responded that the actions by staff were fully compliant with CEQA. She stated that there were a range of alternatives analyzed which were rejected as part of the planning approvals and the Board’s affirmation of the EIR certification. With respect to the particular issues relative to historic preservation, Ms. Bohee asked Margo Bradish to respond.

Ms. Bradish responded that the Aronson Building was an historic building, independent of the Conservation District and that it had been determined to be eligible for the National Register of Historic Places as well as being adjacent to a number of other significant historic resources that are recognized under Articles 10 & 11 of the City code. As a result, from the CEQA standpoint, the Aronson building and the surrounding historic resources are treated as historic resources for CEQA purposes. Ms. Bradish added that at the time the draft EIR was prepared, a complete

analysis was done. An expert report by the applicant's consultant was prepared, which was peer-reviewed by an independent consultant hired by the City and by the City's historic preservation's staff and all of that information was fully detailed in the EIR, including the addressing of the compatibility of the project with both the Aronson Building and the adjacent historic resources. So although the Aronson Building was not at the time included in the Conservation District and therefore not subject to HPC jurisdiction, all of the issues that the HPC considered in terms of Article 11 compliance, compatibility, appropriateness in scale, design, and impact on surrounding resources were addressed in the EIR. Ms. Bradish indicated that the project did receive a permit from the HPC, which is now on appeal. From the CEQA standpoint, all of that analysis was in the document originally.

Commissioner Ellington stated that in their memos there was reference to the Yerba Buena close-out plan and inquired if that plan differed from what the state requirements were and what was the relationship between the two documents. Mr. Ellington then referred to proceeds which were labeled as program income and inquired as to whether that was part of the close-out plan or part of the long-range property management plan.

To the first question, Executive Director Bohee responded that there was a HUD close-out agreement that the former Redevelopment Agency entered into with HUD and executed by, at the time, Mayor Dianne Feinstein. That close-out agreement provided for the use of federal urban renewal dollars, similar to community development block grant funds to create the Yerba Buena District. The Redevelopment Agency used federal urban renewal dollars, which had specific use restrictions to create the Yerba Buena District with all the cultural facilities that it included, for acquisition as well as for facilitation. Ms. Bohee pointed out that this agreement now relates to dissolution law because anything pre-June 2011 is considered an enforceable obligation. Under the close-out agreement, there is an obligation to complete the disposition of that parcel and that obligation is for economic development purposes. Ms. Bohee reiterated that the actions the Commission would take that day combined with the actions of the Oversight Board and the State Department of Finance, which would be reviewing the consistency of that action as well as a separate matter, would determine the disposition of that obligation under Part I of the Property Management Plan.

To the question regarding program income, Executive Director Bohee responded that it was both. Because federal dollars were originally used to acquire and develop not only the Mexican Museum site, the garage parcel and the substructure that created the Contemporary Jewish Museum, there were certain strings attached, so any proceeds from a future sale must be used for an economic development purpose, pursuant to the terms of the close-out agreement. Ms. Bohee stressed that the OCII is required to dispose of the properties pursuant to that HUD agreement.

Chair Johnson referred to the proposed changes to the Purchase and Sale Agreement that were added that day and in particular, the Open Space fee. She inquired about the anticipated use of the Open Space fee and whether it would be used for any improvements or mitigations necessary for the Moscone Center project. Ms. Johnson also inquired about: the \$18 million for affordable housing and where those funds will be slated to go; when the other alternatives, either

commercial space or separate buildings, will be considered and whether that was salient to the current conversation.

Executive Director Bohee responded by referring to Section 8.3a of the presentation, where the description of the permitted uses of the Open Space fee were laid out. She added that permitted uses would be for operations, maintenance, programming and capital expenditures for the gardens and for SOMA open spaces, which are owned by the City in the South of Market area. Ms. Bohee explained that there is a minimum floor for expenditure--50% would be used for the gardens and the balance would be used for SOMA open spaces. She added that there would be significant enhanced value to the project site, if improvements were to be made to the immediately adjacent and surrounding community.

In response to the affordable housing question, Executive Director Bohee stated that there were two tranches and that these funds would provide for up to 172 units. She explained that the initial 20% affordable housing in-lieu fee would go to the City and the 8% would go to the OCII, which would determine the appropriate use of those funds through the budget process. Then the Mayor's Office of Housing would administer the 20% and the OCII would administer the incremental 8%.

Vice Chair Rosales inquired as to how many total units there would be in the project.

Ms. Maher responded that of the 190 total units, 172 would be in the tower and 18 would be in the Aronson Building.

In response to the alternatives question, Ms. Maher stated that those alternatives had already been rejected based on reasons of financial feasibility. She added that when the project sponsor modified the height of the tower in response to public comment, they decided to remove that flex option, which would allow either residential or office use in the Aronson Building, from the discussion.

Vice Chair Rosales thanked staff for the in-depth analysis of the presentation. She referred to Slide 17 regarding the Purchase and Sale Agreement of the Mexican Museum and inquired about: how the city bond funds revenue takes place; the schedule (Slide 23) and how the OCII action today would fit in with all the other processes going on with the Board of Supervisors and other City agencies; whether anything will be coming back to the OCII.

Ms. Maher responded that regarding the land disposition agreement that the former Agency had with the Mexican Museum, the Agency sought authorization to issue hotel tax bonds for this project. For various reasons, those bonds were never issued by the Agency and now the Mexican Museum would like to get the bonds reauthorized. Ms. Maher explained that reauthorization, at this point, would be a City process and not an action of the OCII and that the PSA reads that the OCII and the developer will support the museum's efforts to get that reauthorization. However, she added, that action was not a certainty, but an expectation. With regard to the schedule, Ms. Maher responded that because the OCII no longer has land jurisdiction in Yerba Buena, it will handle the transactional documents to sell the property and to ensure that these are public

benefits, but that all entitlements would be processed by the City. Ms. Maher responded that if there is anything coming from the Board of Supervisors that has substantial changes from what Commissioners were seeing that day, then the parties would meet and confer and figure out if there was still a project that might work or not. If determined that there was not, then at that point the developer could walk away but would replenish the Museum grant funds. If it were determined that there was a project to continue forward, but that changes were needed to be made to the PSA, it would come back to the OCII at that time.

Commissioner Mondejar referred to the discussion in the presentation about three equal installments regarding the Museum operating endowment and inquired as to whether there was a schedule for that and what that was based on. Ms. Mondejar inquired about Greg Johnson's background and asked for more detail regarding his remark about the latest development in museums.

Mr. Marquez responded that the original agreement had stated that the Museum would receive the \$5 million once the project was completed. With the new agreement, the Museum would get one-third at the time that the site permit was applied for, the second-third when the core and shell was delivered for tenant improvements and the third part when the Museum opened for business.

Mr. Johnson responded that he was an architect by training but has been working as a project manager/director for a number of cultural institutions in the Bay Area since his role with the San Francisco Museum of Modern Art as project manager in 1992 and Director of Facilities in 1995. At that time he was first introduced to the Mexican Museum project and the then-Yerba Buena project director, Helen Sause, and the architect, Ricardo Legorreta. Mr. Johnson reported that he has also worked with the Bay Area Discovery Museum, Oakland Museum, Angel Island, and Fort Mason, among others. To the question regarding museum development, Mr. Johnson responded that one of the newer trends in terms of the transparency in global cultural institutions was to figure out how to engage the public and visitors in the process of what goes on within a museum. He explained that the traditional experience was that visitors enter the galleries and look at the art displayed but do not have the opportunity to understand the processes behind the scenes. Now they are trying to engage and educate visitors and create an interaction between visitors and the process of how those art items are stored, curated, preserved and displayed.

Chair Johnson referred to the new crosswalk on Mission between 3rd and 4th and inquired as to whether the pedestrian study was commissioned to look at the impacts on this project or was there a general theme/idea that there needed to be pedestrian improvements.

Ms. Maher responded that as part of the EIR process, one of the recommendations was to undertake a pedestrian study to look at conditions in the area and added that the second pedestrian crosswalk goes back a long time and was something that the Agency envisioned doing back when Jesse Square was completed, but for a variety of reasons, the second crosswalk had never been completed.

Ms. Bradish added that the EIR concluded that the pedestrian impacts of the project would be less than significant and therefore no mitigation was required. The EIR recommended improvement measures, which would be implemented by the project applicant. Independently, an additional condition of approval was added by the Planning Commission as part of the 309 process, which required funding of the pedestrian study, which the applicant will do. Ms. Bradish added that as part of the recommendations coming out of the Land Use Committee and the changes to the Purchase Agreement, the applicant has agreed to fund either the midblock crossing or other equivalent cost improvements identified in the study.

Commissioner Singh motioned to move Item 4(a) and Commissioner Mondejar seconded that motion.

Secretary Jones called for a voice vote on Item 4(a).

Commissioner Ellington – yes
Commissioner Mondejar – yes
Commissioner Singh – yes
Vice Chair Rosales – yes
Chair Johnson – yes

ADOPTION: IT WAS VOTED BY 5 COMMISSIONERS AND UNANIMOUSLY CARRIED THAT RESOLUTION NO. 31-2013, ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND APPROVING, SUBJECT TO THE REVIEW AND APPROVAL OF THE OVERSIGHT BOARD AND THE DEPARTMENT OF FINANCE, PART 1 OF THE LONG RANGE PROPERTY MANAGEMENT PLAN THAT ADDRESSES THE DISPOSITION AND USE OF THREE PROPERTIES: (1) AN IMPROVED SUBTERRANEAN PUBLIC PARKING GARAGE COMMONLY KNOWN AS THE JESSIE SQUARE GARAGE LOCATED GENERALLY BELOW JESSIE SQUARE PLAZA (ASSESSOR'S BLOCK 3706, LOT 275 AND PORTIONS OF LOT 277); (2) AN APPROXIMATELY 9,778-SQUARE-FOOT UNDEVELOPED PARCEL FRONTING MISSION STREET BETWEEN THIRD AND FOURTH STREETS ADJACENT TO JESSIE SQUARE PLAZA (ASSESSOR'S BLOCK 3706, A PORTION OF LOT 277); AND (3) A 3,690-SQUARE-FOOT AIR RIGHTS PARCEL LOCATED ABOVE JESSIE SQUARE PLAZA (ASSESSOR'S BLOCK 3706, A PORTION OF LOT 277), BE ADOPTED.

Vice Chair Rosales motioned to move Item 4(b) and Commissioner Ellington seconded that motion.

Secretary Jones called for a voice vote on Item 4(b).

Commissioner Ellington – yes
Commissioner Mondejar – yes
Commissioner Singh – yes
Vice Chair Rosales – yes
Chair Johnson – yes

ADOPTION: IT WAS VOTED BY 5 COMMISSIONERS AND UNANIMOUSLY CARRIED THAT RESOLUTION NO. 32-2013, ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND APPROVING, SUBJECT TO THE REVIEW AND APPROVAL OF THE OVERSIGHT BOARD AND THE DEPARTMENT OF FINANCE, A PURCHASE AND SALE AGREEMENT WITH 706 MISSION CO LLC AND WITH THE MEXICAN MUSEUM, AS A THIRD PARTY BENEFICIARY, FOR THE DISPOSITION AND USE OF THREE PROPERTIES: (1) AN IMPROVED SUBTERRANEAN PUBLIC PARKING GARAGE COMMONLY KNOWN AS THE JESSIE SQUARE GARAGE LOCATED GENERALLY BELOW JESSIE SQUARE PLAZA (ASSESSOR'S BLOCK 3706, LOT 275 AND PORTIONS OF LOT 277); (2) AN APPROXIMATELY 9,778-SQUARE-FOOT UNDEVELOPED PARCEL FRONTING MISSION STREET BETWEEN THIRD AND FOURTH STREETS ADJACENT TO JESSIE SQUARE PLAZA (ASSESSOR'S BLOCK 3706, A PORTION OF LOT 277); AND (3) A 3,690-SQUARE-FOOT AIR RIGHTS PARCEL LOCATED ABOVE JESSIE SQUARE PLAZA (ASSESSOR'S BLOCK 3706, A PORTION OF LOT 277), BE ADOPTED.

5. Matters of New Business:

CONSENT AGENDA

- a) Approval of Minutes: Regular Meeting of June 18, 2013

Vice Chair Rosales asked for an edit on page 17 in the fourth paragraph regarding her comments where the word "impose" should be "improve."

Vice Chair Rosales motioned to move Item 5(a) and Commissioner Ellington seconded that motion.

Secretary Jones called for a voice vote on Item 5(a).

Commissioner Ellington – yes
Commissioner Mondejar – yes
Commissioner Singh – yes
Vice Chair Rosales – yes
Chair Johnson – yes

ADOPTION: IT WAS VOTED BY 5 COMMISSIONERS AND UNANIMOUSLY APPROVED THAT THE MINUTES FOR THE REGULAR MEETING OF JUNE 18, 2013, BE ADOPTED.

REGULAR AGENDA

- b) Authorizing a Grant Agreement with The Mexican Museum, a California non-profit corporation, in an amount not to exceed \$100,000, for predevelopment work for a new museum associated with a new mixed-use project on a site that includes 706 Mission Street (Assessor's Block 3706, Lot 93) and Successor Agency disposition parcel CB-1-MM (Assessor's Block 3706, portion of Lot 277), pursuant to a May 4, 2010 Amended and

Restated Exclusive Negotiations Agreement with the developer of the mixed-use project. (Discussion and Action) (Resolution No. 35-2013)

Presenters: Tiffany Bohee, Executive Director; Christine Maher, OCII Development Specialist, Real Estate Division; Victor Marquez, General Counsel, Mexican Museum

PUBLIC COMMENT – None.

Chair Johnson suggested a change to the wording in this item and suggested that the grant agreement be amended to require that the Mexican Museum report to the OCII on a semi-annual basis starting on January 1, 2014 on its progress in raising funds and capital campaign and she also proposed adding a clause that states, “and its collaboration with City agencies”. The reason Chair Johnson requested these changes was to initiate the establishment of some type of mechanisms to provide oversight of the funds that are being granted to the Mexican Museum. Ms. Johnson added that one of the suggestions made to the Museum board was that they work with the Arts Commission and with the Office of Real Estate on both the planning of the physical space and programming and Ms. Johnson strongly suggested an update on their progress on raising funds and with their collaboration with City agencies so that the OCII would be aware that the help being offered was taken. Ms. Johnson asked for a representative from the Mexican Museum to talk about the sustainability plan and the financial feasibility of the museum for the future.

Mr. Marquez responded that there was a new board chair who took office on June 1, venture capitalist with several international companies, who was leading the capital campaign by naming galleries so that every room in the museum space would be named. Mr. Marquez stated that they have met with the Ford Foundation, which is interested in naming one of the gallery spaces. He reported that the board has engaged a fund manager out of New York, Eve Ellis, who will be charged with providing pro-bono services to manage the funds raised so there would be additional oversight with a high level financial team that will be put together. Mr. Marquez stated that once the project development is underway, Millenium Partners through Sean Jeffries will be engaged with the Museum’s board to help with fundraising to get them to the endowment goal of \$25 million. Mr. Marquez stated that aggressive fund development would get underway as soon as a new full-time fund development director was hired as well as a fund development council which would create a long-term sustainable plan to work with the board and director. He explained that the reason they had asked for a 3-step disbursement of the endowment was because of the general interest to see who has given first. He added that when construction is about to begin, they would have close to \$2 million toward the endowment, which they were hoping will encourage individuals to pledge and make actual contributions. With every \$5 million raised at 7%, they are estimating they will have \$250,000 per annum which would be used for building operations, maintenance and expenses, not for tenant improvements. Mr. Marquez reported that they were also in the process of developing an operating agreement with the Arts Commission to be able to leverage that organization’s expertise in programming and fundraising and access their technical support.

Chair Johnson read off the suggested changes to the resolve clause: in place of “the Office of Community Investment and Infrastructure”, it should read the “Commission on Community Investment and Infrastructure hereby authorizes the Executive Director to enter into a grant agreement...” and then skipping down to the bottom, 3rd line up, “and furthermore authorizes the Executive Director to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction”. Ms. Johnson stated that these changes were suggested by Counsel.

Chair Johnson stated that she also wanted to add the following wording into the final resolve clause on Page 3:...” report to the OCII on a semi-annual basis on its progress in raising funds for its sustainability and capital campaign and on its collaboration with other City agencies”.

Vice Chair Rosales commented that she did not oppose the editing that would require the Mexican Museum to report to the Commission on a semi-annual basis starting in January 2014; however, she stated that if this was a new best practice, which she endorsed, she believed it should be made applicable to similar fund expenditure-type issues that the OCII would be facing in the future and not be viewed as specific to the Mexican Museum.

Chair Johnson agreed with Vice Chair Rosales’ comment that this would be a best practice going forward.

Commissioner Mondejar inquired about whether the Commission would need to vote on this new best practice.

Chair Johnson responded in the negative and stated that the Commission would, however, need to make sure they apply this action to all similar circumstances in the future.

Commissioner Singh motioned to move Item 5(b) and Commissioner Ellington seconded that motion.

Secretary Jones called for a voice vote on Item 5(b).

Commissioner Ellington – yes
Commissioner Mondejar – yes
Commissioner Singh – yes
Vice Chair Rosales – yes
Chair Johnson – yes

ADOPTION: IT WAS VOTED BY 5 COMMISSIONERS AND UNANIMOUSLY CARRIED THAT RESOLUTION NO. 35-2013, AUTHORIZING A GRANT AGREEMENT WITH THE MEXICAN MUSEUM, A CALIFORNIA NON-PROFIT CORPORATION, IN AN AMOUNT NOT TO EXCEED \$100,000, FOR PREDEVELOPMENT WORK FOR A NEW MUSEUM ASSOCIATED WITH A NEW MIXED-USE PROJECT ON A SITE THAT INCLUDES 706 MISSION STREET (ASSESSOR'S BLOCK 3706, LOT 93) AND SUCCESSOR AGENCY DISPOSITION PARCEL CB-1-MM (ASSESSOR'S BLOCK 3706,

PORTION OF LOT 277), PURSUANT TO A MAY 4, 2010 AMENDED AND RESTATED EXCLUSIVE NEGOTIATIONS AGREEMENT WITH THE DEVELOPER OF THE MIXED-USE PROJECT, BE ADOPTED.

- c) Authorizing, pursuant to the Transbay Implementation Agreement, the Executive Director to execute an Exclusive Negotiation Agreement with Avant Housing LLC and BRIDGE Housing Corporation for a proposed residential project on Block 9 (Block 3736, Lot 120), located on Folsom Street between Essex and First Streets; Transbay Redevelopment Project Area. (Discussion and Action) (Resolution No. 36-2013)

Presenters: Tiffany Bohee, Executive Director; Courtney Pash, Assistant Project Manager, Transbay; Eric Tao, Managing Principal, Avant Housing; Kevin Griffiths, Bridge Housing; Craig Hartman, Design Partner, Skidmore, Owings and Merrill; Javier Asmende, Project Architect; Mike Grisso, Senior Project Manager, Transbay

PUBLIC COMMENT

Speakers: Bruce Balshone, Chair, CAC; Todd Aranaz, Fougeron Architecture; Ace Washington

Mr. Belshorn stated that the CAC had reviewed this project and was very excited about the site plan and especially how it was integrated with the neighborhood.

Mr. Aranaz stated that Fougeron Architecture, a small, local business, was the SBE that was selected and he thanked the Commission for the opportunity to work on this project.

Mr. Washington stated concern over the scheduling of meetings. He stated that he had worked with Bridge and their Western Addition property and was familiar with them. He spoke of community reform and participation of African Americans in construction development of the City.

Commissioner Ellington inquired about the 80/20 affordable housing option, what option they had chosen and whether there was a term for that. Mr. Ellington also inquired about: whether Bridge will secure the financing for floors 2-7; the air rights parcel for the affordable housing component; why the affordable housing units are on floors 2-7 and not scattered throughout the tower.

Ms. Pash responded that it was called the “joint development alternative”, which meant that they had partnered with an affordable housing developer who would secure the financing for the affordable component separately from the market rate component. Ms. Pash explained that the 80/20 deal had a different tax credit structure and was basically considered as all one project, with rental and other requirements included. Ms. Pash responded in the affirmative to the financing question and added that the gap funding will be provided by the market rate developer. With regard to the air rights parcel, Ms. Pash responded that it would be similar to a ground lease, which was how typical affordable housing projects were done. There was typically a 66-year ground

lease with a \$15,000/year payback. Ms. Pash explained that this project would be similar to that plan, although it had not yet been negotiated. The affordable component would be separated out and since it was all one building, would be composed of air rights from the ground up through the 8th floor. Ms. Pash added that this arrangement ensured affordability going forward if there was an interest in the land or the air rights, even as ownership changes, in the future.

Executive Director Bohee clarified that a condominium or air rights parcel would be created that would compose an affordable development within that condominium or air rights parcel, which would then be ground leased. She explained that under state dissolution law, the OCII must wind down and cannot retain any piece of property in the long term. Ms. Bohee pointed out that there were a number of properties that had already been transferred to the City through the Mayor's Office of Housing and Community Development (MOHCD). Once completed, this condominium parcel would be transferred to the MOHCD and the improvements would be ground leased to the non-profit entity. In that way, the city public entity, would own and retain this parcel for perpetuity and ensure long term affordability.

Mr. Grisso added that the reason the units were not scattered throughout the building was because in order to get the financing that Bridge was seeking, they had to have a separate project. The affordable units were on floors 2-7 as a separate project, which was one of the options in the RFP, so that they could finance it as an 80/20 with units scattered or as a joint development, which would be composed of two separate projects- -a market rate and an affordable project. Bridge chose the joint development. Mr. Grisso explained that the advantage of that choice was, in addition to the financing, that the separate project had unit size requirements, which meant they had to have family size units. He pointed out that in a typical 80/20 deal, the affordable units were just like the market rate units which meant they could be studios or one-bedrooms as opposed to the one-, two- and three-bedroom units as designed here. Mr. Grisso added that they were pleased with that choice because they would both fulfill the 20% affordable requirement and secure the family size units.

Chair Johnson added that air rights parcel did not necessarily have to be from the ground to some height; it could be anywhere. She explained that it simply meant that it was in the air and was all one piece, separate from the rest of the building.

Commissioner Mondejar inquired as to whether there would be two owners once the affordable component was turned over to the MOHCD.

Ms. Pash responded in the affirmative; that MOHCD will own the condo parcel and Avant or the market rate developer will own the market rate parcel.

Commissioner Singh stated that he was very familiar with Bridge Housing but inquired about the qualifications of Avant because he had not heard of them. Mr. Singh inquired about what projects Avant and the Redevelopment Agency had worked on in the past. Mr. Singh commented that he had visited that area the day before with Commissioner Mondejar.

Mr. Tao responded that Avant Housing is a joint venture with AGI Capital with CALPERS and TMG Partners as their funding partners and pointed out that Avant had been before the Redevelopment Agency several times with projects in the Western Addition. Mr. Tao explained that Avant was a local business and was fortunate to have CALPERS, a large pension fund, which was offering a new groundbreaking program, called the Emerging Partners Program, where they try to find local businesses within certain major cities, which they believe have an advantage in understanding new opportunities. Mr. Tao reported that their first project was a 246-unit, 25 story tower mixed use with broken up airspace rights, that they were currently working on a 483-unit structure on 5th and Folsom as part of the CALPERS initiative and were finishing up a 202-unit structure on 15th and Mission.

Mr. Grisso added that a major part of the evaluation of the RFP was a score based on experience and added that Avant Housing was a minority-owned company, but not a disadvantaged business. He reported that Avant was a very successful business, had developed several projects in San Francisco, including projects in the mid-Market redevelopment survey area and the South of Market project area. Mr. Grisso pointed out that the OCII has had several interactions with Avant in the past and emphasized that they were very well-qualified to develop the project. Mr. Grisso responded that Avant did the SOMA Grand project in the mid-Market survey area, a project at Folsom and 5th Street, which was in the South of Market redevelopment area, which the Agency did not provide funding for, but did review and that Avant has made presentations to the CACs and PACs.

Chair Johnson framed the discussion that day in terms of the exclusive negotiations agreement which would be choosing the “who” and then the DDA, which Commissioners would be looking at some time next year, which would explain the “how”. Ms. Johnson inquired about community benefits and assumed they would be laid out in the DDA but asked for detail about the community benefits district and what would be included in that. Ms. Johnson inquired about funding for local service organizations and inquired as to why there would not be a community benefits agreement in the DDA.

Ms. Pash responded that the community benefit district was in the formation process at that time working with local landowners. Ms. Pash explained that for a residential unit it averaged somewhere between \$100-\$300/year and covered maintenance costs on top of what the Department of Public Works already provided, such as additional steam cleaning graffiti removal, community guides in the area and park maintenance.

Mr. Grisso responded to the question about funding for local service organizations. He clarified that the community benefits district is not the same as a community benefits agreement and further clarified that they do not have a community benefits agreement but rather an RFP pursuant to the OCII’s enforceable obligations. He explained that they are required to sell this parcel to generate money for the Transbay Transit Center and also to meet the affordable housing goals. Mr. Grisso explained that the community benefits from this project would be funding transit and a significant affordable housing component as well as parks for the neighborhood. Beyond that, there would be no specific funding for community organizations or such as part of this project. He explained that

what Ms. Pash was referring to was a community benefits district that was being formed in order to fund the maintenance of the open space and the streetscapes that were being built as part of the OCII project, Rincon Hill and the Transit Center. Mr. Grisso responded that in San Francisco, a community benefits district is usually negotiated directly with the Board of Supervisors for a project that would not be going to the Planning Commission through the normal process, so it is a special agreement that a particular project negotiates with the City and pays for in order to accomplish what they want to do. Mr. Grisso explained that in this project area there were very specific sets of development controls that were adopted through an exhaustive community process and there were two specific community goals- - to build the Transbay Transit Center and to build the 35% affordable housing component, which the OCII was required to do under state law. Mr. Grisso pointed out that very often the community benefits agreements included funding for transit and funding for affordable housing, but these were already built in to the project area because these items were part of the formation documents and part of the project purpose. For this reason, he concluded, there was no separate community benefits agreement because those community benefits would be obtained through the RFP process and the DDA.

Chair Johnson responded by stating that the idea that the project itself was a community benefit would be a matter of perspective. Ms. Johnson noted that both Related and West Bank CCDC took advantage of the opportunity to use tax exempt financing for their projects and built that into their planning, but that Avant used \$88 million worth of equity instead and inquired as to why Avant chose that path. Ms. Johnson also inquired as to whether they had considered the rental vs. for-sale mix. Ms. Johnson pointed out that for the affordable units, the parking ratio was 1 to 4 (one parking space per 4 units) and asked what the ratio was for the market rate rental and whether there was a baseline across all of the Transbay area.

Mr. Tao responded that financing is difficult to come by and part of what they felt was the best choice was the joint development agreement with Bridge. Mr. Tao stated that Bridge would definitely be using tax exempt financing options as well as the subsidy that Avant was providing to help gap the difference between what they could get from tax credit and tax exempt bond financing but Mr. Tao explained that Avant wanted to have as much certainty as possible in an uncertain financial environment. Therefore by underwriting this deal using that much equity, Avant would have more certainty that they could accomplish this project. Mr. Tao explained that Avant has CALPERS, a well-funded pension fund, that wanted to be in San Francisco and which had no major long-term assets. So for CALPERS this would be a very significant asset. Mr. Tao stated that Essex is another Bay Area company with a lot of equity and also focused on long-term residential assets. Being less opportunistic and more long-term investment oriented, Mr. Tao assessed that both partners would be able to commit to that level of equity and increase the certainty for Avant to be able to make this project happen.

Ms. Pash added that the difference between the other two proposals and the Avant-Bridge proposal is that the other two proposals were composed of an 80/20 project and so the entire project would receive a tax-exempt financing whereas just the affordable housing component of the Avant-Bridge proposal would get the tax exempt financing. Ms. Pash explained that in looking at the financial analysis, it was simply a difference of where the financing is placed.

Mr. Tao responded to the rental vs. for sale mix question. He explained that Essex could only do rental and CALPERS in their core strategy only wanted to do rental so at this point their investment strategy was to do just rental. He added that they had not given any consideration to for-sale housing.

To the parking question, Mr. Grisso responded that the market rate housing has a maximum parking rate of 1:1 and that the affordable project ratio is 1:4. He explained that this has been the requirement for all affordable projects so far except for the supportive project, which has no parking. Mr. Grisso added that they limited the parking to make sure there was not an excess of parking. He explained that this was the zoning for the project area and was the same as the zoning for the Rincon Hill neighborhood. He explained that at the time zoning was adopted, there was a much stricter standard at that location than the rest of San Francisco but since then the City has caught up and this was now the standard for most of the downtown.

Commissioner Mondejar inquired about the phrase “obtain financial commitments” in the Key Next Steps and asked for an example of that.

Ms. Pash responded that the phrase referred to securing any tax credits or deciding if they were going to go for the competitive tax credits or other grants or funding sources for that component aside from the gap financing provided by Avant.

Chair Johnson pointed out that during the presentation that Avant and Bridge had hired a consultant to help with the hiring of MBE/WBEs and SBEs and hoped they were casting a wide net for the project.

Vice Chair Rosales motioned to move Item 5(c) and Commissioner Mondejar seconded that motion.

Secretary Jones called for a voice vote on Items 5(c).

Commissioner Ellington – yes

Commissioner Mondejar – yes

Commissioner Singh – yes

Vice Chair Rosales – yes

Chair Johnson – yes

- d) **ADOPTION:** IT WAS VOTED BY 5 COMMISSIONERS AND UNANIMOUSLY CARRIED THAT RESOLUTION NO. 36-2013, AUTHORIZING, PURSUANT TO THE TRANSBAY IMPLEMENTATION AGREEMENT, THE EXECUTIVE DIRECTOR TO EXECUTE AN EXCLUSIVE NEGOTIATION AGREEMENT WITH AVANT HOUSING LLC AND BRIDGE HOUSING CORPORATION FOR A PROPOSED RESIDENTIAL PROJECT ON BLOCK 9 (BLOCK 3736, LOT 120), LOCATED ON FOLSOM STREET BETWEEN

ESSEX AND FIRST STREETS; TRANSBAY REDEVELOPMENT PROJECT AREA, BE ADOPTED.

6. Public Comment on Non-agenda Items

Speakers: Daniel Landry, Western Addition resident; Ace Washington

Mr. Landry stated that he was a business owner on Fillmore Street and discussed an issue developing in the corridor of the Fillmore area. He stated that there was a communication problem between the businesses, the stakeholders and people in that area trying to put on events, such as in the case of the recent Jazz Festival. Mr. Landry stated that since redevelopment had left the area, they no longer have an organization, or a CAC to intervene with issues such as property rights, boundaries, state law, redevelopment and future issues that may arise. Mr. Landry requested a copy of the disposition and development agreement with the Fillmore Heritage Center and also the ground lease of August 23, 2005 to get a better understanding of the Heritage Center's commitment to the community. He gave as a problem example an issue that came up a few months ago when the police were called about a person working as a vendor in the lobby of the Fillmore Heritage Center. Mr. Landry felt that there was no one who they could contact for information about permits, etc. He stated that the Jazz Center lobby had always been a public area but that Yoshi's has stated to the community that they cannot be in there without authorization of the Jazz Center. Mr. Landry wanted to help the community be able to understand who is in charge now since the Redevelopment Agency has left and more problems are starting to arise.

Mr. Washington stated that he was present as the founder of the CRC, Community Reform Committee, an organization that has been around for a long time under different names. Mr. Washington spoke about organizations that had been put together by the City and County of San Francisco, but which no longer exist. He spoke about the changes in the Fillmore area and accountability to the community after the Redevelopment Agency left.

7. Report of the Chair

Chair Johnson reported that after conferring with Executive Director Bohee, they believed it would be appropriate to name a piece of property that the OCII has some control of in honor of Willie B. Kennedy. Ms. Johnson stated that she would check with the Mayor's Office to find out if they had any similar plans.

Chair Johnson also reported that OCII meetings will be broadcast in some form starting in August 2013.

8. Report of the Executive Director

Executive Director Bohee stated that her report consisted of a number of items that will require ongoing review and attention by Commissioners as related to regulatory approvals that the City would be taking up in connection with the 706 Mexican Museum project and to the extent that any terms or conditions as a part of those regulatory approvals might change what the OCII had approved at this meeting. Ms. Bohee also reported on ongoing items of continuance: a special meeting coming up on July 30, workshops as well as other action items and ROPS workshops, any potential bonding, the balance of the property management plan and the OCII proposed public review process via the OCII as well as other stakeholders in all communities. Ms. Bohee reminded Commissioners that the OCII still owns airspace and condominium parcels in the Western Addition and other areas throughout the City, so the purpose of the property management plan would be to identify where property would be transferred to pursuant to that plan, and which must be submitted to the State by the end of November. She concluded that a proposed work program schedule will be presented soon for the Commissioners as well as the public.

9. Commissioners' Questions and Matters

Chair Johnson pointed out that Commissioners had received a great deal of information and documentation recently and that was because it was requested. She stated that some of the information had nothing to do with that day's meeting and suggested that Commissioners review items as they receive them because the topics would be coming up eventually and they would want to be familiar with them.

Commissioner Ellington commented that he appreciated receiving some of the documentation electronically and believed they should continue to consider this as a best practice.

Vice Chair Rosales stated that she would like to know more about the affordable housing parcels germane to the project areas and also would like to know what the housing balances are. She added that the missing part for her was to find out who the beneficiaries of those funds were and suggested having a workshop dealing with that subject.

Commissioner Mondejar reminded Commissioners about the Certificates of Preference as well and the affordable housing ordinance and stated that she would like to know what that housing fund balance was. Ms. Mondejar suggested that they create a program as a best practices action to be able to track action items in order to be updated on the items that Commissioners have requested.

Executive Director Bohee responded that the Certificate of Preference program was on their forward calendar for the meeting on August 6. She added that they were aware of what the housing balances were due to the rigorous audits of the restricted funds from the state as of the time of dissolution and stated that they were working on creating certainty for the forward deposits through the property trust fund and further bond issuances. She added that staff could provide some

contextual information as a part of the upcoming workshop and create an agenda to address appropriate topic areas. Ms. Bohee pointed out that staff does have a “task list” which lists when requests were made, whether by a member of the public or by a Commissioner and how that item was being addressed either by informational memo or another method. Ms. Bohee suggested they do a “round-up” to date to see where they stand with requested items.

10. Closed Session – None.

11. Adjournment

The meeting was adjourned by Madame Chair Johnson at 4:35 p.m.

Respectfully submitted,

Natasha Jones

Natasha Jones
Interim Commission Secretary

ADOPTED: