



MEMORANDUM

April 5, 2024

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Gail Gilman, Vice President
Hon. Willie Adams
Hon. Ed Harrington
Hon. Steven Lee

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Michael Martin
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FROM: Michael Martin
Acting Executive Director

SUBJECT: Informational Presentation regarding the Leasing Status at Mission Rock Parcel A and Staff Acceptance of a Revised Phase 1 Submittal; and Possible Action to Approve a Resolution Authorizing Amendments to the Parcel F VDDA, Lease, and other Ancillary Documents to Conform with Revised Phase 1 Submittal for the Mission Rock Project at Seawall Lot 337, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 24-21

EXECUTIVE SUMMARY

At the March 12, 2024, Port Commission meeting, Port staff provided an informational presentation on the Mission Rock project ("Project") Phase 1 and committed to returning to the Port Commission with a detailed update on leasing efforts for the Project's first residential building (the "Canyon"). The purpose of this staff report is to share that information and illustrate how the lessons learned inform the proposed action associated with the second residential building ("Verde").

Following the Port Commission and Board of Supervisor's approval of the Project's transaction documents in 2018, and pursuant to the Project's Disposition and Development Agreement ("DDA"), the Developer delivered the Phase 1 Submittal including the Phase scope, budget, and schedule to the Port in spring 2019. As required by the DDA, the Phase

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1 Submittal included the land use plan for each building and Inclusionary Below Market Rate (“BMR”) units in each Residential building, which is included as the “Housing Plan” exhibit to the DDA. In the fall of 2019, the Port approved the Phase 1 Submittal allowing horizontal and vertical construction to commence.

Construction was completed on Parcel A in May 2023 and the first residents began moving into the Canyon in June 2023. Overall, the Developer is pleased with the reception of the Canyon and reports that the building is 74% leased at the time of publication of this memorandum. That said, while the leasing continues steadily on the market-rate units and the BMR units with deeper levels of affordability have been fully leased, the rate of leasing of BMR units with higher levels of area median income (“AMI”) requirements has been less strong. This trend has prompted the Developer to examine the BMR application and leasing data to understand how the building’s specific offering meets market demand. The takeaway from this analysis helps inform the leasing strategy for Parcel F and is the reason for the proposed BMR modification. Construction will be complete in the coming weeks, with leasing at Verde expected to commence as soon as an occupancy permit is issued.

This memorandum also provides background information on the transaction documents that govern the Project’s requirements with respect to affordable housing and summarizes the process and parameters under which the number, size, and location of BMR units may be constructed (the Housing Plan). It also details specific modifications to the Housing Plan that are proposed by the Developer, in consultation with Port Staff and the Mayor’s Office of Housing and Community Development (“MOHCD”), to drive the occupancy of BMR units, specifically in the categories where the Canyon has encountered challenges. While the Housing Plan describes an affordable housing program for Phase 1, the documents also permit the Developer to make future modifications (subject to Port and MOHCD approval). The proposed changes do not require an amendment to the DDA. The attached Resolution is narrower in that it simply seeks authorization for Port staff to execute and amend necessary transaction documents that have already been executed at Parcel F to reflect the changes to the Housing Plan.

The following topics are addressed in this memorandum:

- I. Strategic Objectives
- II. Mission Rock Project Background
- III. Mission Rock Project Update
- IV. Parcel A Leasing and Challenges
- V. Proposed Changes to Parcel F Leasing
- VI. Analysis and Recommendation
- VII. Potential Approval Actions and Next Steps

I. Strategic Objectives

The Mission Rock Project supports the Port’s Strategic Plan including the following goals:

- *Productivity*. The redevelopment of a surface parking lot into a new Mission Rock neighborhood supports the goal of enhancing the economic vitality of the Port.

- **Resilience**. The Mission Rock project is elevating the site to prepare for anticipated future sea level rise and related flood levels and provide special tax sources for waterfront resilience projects across the entire Port.
- **Sustainability**. The on-site Blackwater Recycling System will treat wastewater for additional non-potable use within Mission Rock, reducing the Project's overall potable water usage by 13.9 million gallons annually.
- **Engagement**. Port staff and the Mission Rock project team provide regular updates on the Project to the Port's advisory groups.
- **Evolution**. The construction of market-rate and below-market-rate housing and the development of expanded and new public open spaces at Mission Rock are measures of the Port's awareness of and responsiveness to public and Port needs.

II. Mission Rock Project Background

Mission Rock is a mixed-use project which, upon completion of all phases, will deliver up to 1,000 units of new rental housing (of which 40 percent must be BMR as described below), District Energy and Black Water Treatment systems, 1.4 million square feet of new commercial and office space, the rehabilitation of historic Pier 48, as well as space for small-scale manufacturing, retail, neighborhood services, waterfront parks, and public infrastructure. The Mission Rock Project is located on approximately 28 acres, including SWL 337 and Pier 48.

Approved in 2018 and with Phase 1 construction now drawing to a close, the Project reflects 14 years of effort, led by the Port Commission, Port and City staff, and Mission Rock Partners, a partnership between the San Francisco Giants and Tishman Speyer ("Developer").

Following the Port Commission and Board of Supervisors' approval of the Project's transaction documents in 2018, Port staff and Seawall Lot 337 Associates, LLC ("Developer") advanced the Project's first phase. Pursuant to the Project's Disposition and Development Agreement ("DDA"), the Developer delivered the Phase 1 Submittal including the Phase scope, budget, and schedule to the Port in spring 2019. As required by the DDA, the Phase 1 Submittal included the land use plan for each building and Inclusionary Below Market Rate ("BMR") units in each Residential building. In the fall of 2019, the Port approved the Phase 1 Submittal allowing horizontal and vertical construction to commence.

In 2020, the Developer and Port executed four Parcel Leases and Vertical Disposition and Development Agreements ("VDDA") governing the four development parcels in Phase 1. The VDDAs and Parcel Leases for Parcel A and Parcel F (the residential parcels) included details regarding the BMR units at each Parcel. While these documents describe a specific inclusionary housing program for Phase 1, they also provide flexibility for future changes to the program at the Developer's request subject to Port and Mayor's Office of Housing and

Community Development (“MOHCD”) approval. The DDA itself does not need to be amended to implement these reconfigurations.

Mission Rock Phase 1 includes the following:

- 537 apartment units
- 550,000 gross square feet office
- 52,000 gross square feet of retail
- District energy system located in Parcel A which will serve all of Mission Rock
- District scale non-potable water plant located in Parcel B which will serve all of Mission Rock’s indoor and outdoor recycled water needs
- Streets, paseos, China Basin Park, and associated infrastructure

Disposition and Development Agreement (“DDA”):

The DDA is the principal agreement governing the development of the Project. The DDA and its exhibits provide the overall program and projected timing for the development of the Project, including both horizontal and vertical development of the Project, delivery of public benefits, and the financial structure for the transaction.

In general, the Developer is responsible for horizontal development of the Project, which consists of entitlement and pre-development work, subdivision, site preparation/ stabilization, and design/construction work related to streets and sidewalks, public realm amenities (e.g., parks and open space), public utilities and shoreline improvements to create development parcels that support and protect buildings. Vertical development includes the construction of commercial and residential buildings consistent with the Mission Rock Special Use District and the approved Design Controls. Vertical development is performed by vertical Developer Affiliates for Phase 1’s four vertical parcels.

Housing Plan:

The Housing Plan is Exhibit B5 to the DDA and describes the following measures to ensure that at least 40% of all residential units in the completed Project (across all Phases) are inclusionary BMR units for low- and moderate-income households (between 45% to 150% of Area Median Income).

- Vertical Developers of commercial space pay a Mission Rock Inclusionary Housing Fee, similar to the City's jobs/housing linkage program, to support the development of the BMR units at the Project Site.
- BMR units will be delivered in each phase and within each residential parcel creating a true mixed-income community.
- The specific number and location of the BMR units in each vertical residential parcel are determined through a collaborative process between the vertical developer, the Port, and MOHCD.
- The number, location, AMI level, and bedroom count of the BMR units are documented in the parcel lease and the accompanying Vertical Disposition and Development Agreement (“VDDA”) for each residential parcel. The parcel lease and VDDA include provisions that provide flexibility in terms of future changes to the inclusionary housing plan, in consultation with MOHCD and subject to Port approval.

- The Housing Plan requires the number of BMR units to be a minimum of 30% of total residential units in each Phase of the Project, and 40% for the Project upon full buildout of all Project phases.

Phase Submittal:

To efficiently guide development, the DDA includes a detailed process for approving each phase of the project. This includes a requirement for the Developer to provide the Port with a Phase Submittal, a comprehensive overview of the design, and the expected cost for a phase. The Phase Submittal is reviewed by the Port, City Planning, and MOHCD to confirm the submittal is complete and complies with the DDA including a general plan to comply with the Housing Plan for the proposed residential parcels in that phase.

The Phase Submittal is prepared in advance of specific building design and therefore subject to revision. For example, the Phase Submittal for Phase 1 included the following proposed mix of BMR units in two residential buildings at Parcel A and Parcel F:

Table 1 – Phase 1 Submittal Housing Table 2019

Phase 1 Submittal Housing Table 2019						
AMI Level	Parcel A	%	Parcel F	%	Total	%
90%	10	5.2%	13	7.8%	23	4.1%
120%	54	18.4%	56	21.1%	110	19.6%
150%	38	12.9%	31	11.7%	69	12.3%
	102	36.5%	100	40.5%	202	36.1%
Market Rate	192		166		358	
Total	294		266		560	

Pursuant to the terms of the VDDAs and parcel leases, once the two parcels were leased, the vertical Developers worked with the Port and MOHCD to reflect the building's final design, resulting in the following approved BMR unit mix:

Table 2 – Phase 1 Submittal Housing Table 2022/2023

Phase 1 Submittal Housing Table 2022/2023						
AMI Level	Parcel A	%	Parcel F	%	Total	%
90%	10	5.5%	13	8.3%	23	4.3%
120%	54	19.1%	55	21.7%	109	20.3%
150%	38	13.4%	29	11.4%	67	12.5%
	102	38.0%	97	41.4%	199	37.1%
Market Rate	181		157		338	
Total	283		254		537	

As shown in the tables above, Parcel A maintained the same number of BMR units, but the total number of units decreased based on the final building design. Likewise, the total number of units in Parcel F decreased from the initial Phase 1 submittal (before the building was fully designed) to the execution of the parcel lease and VDDA, including the reduction of three BMR units for households with a maximum income of 150% AMI. The

final approved unit mix is further memorialized through a Declaration of Restrictions recorded against each parcel to identify the BMR units in perpetuity.

III. Mission Rock Project Update

Project Status:

Phase 1 horizontal and vertical improvements as mentioned above are nearing completion. The tables and sections to follow provide summary updates on project delivery and status.

The table below illustrates the construction progress milestones and expected occupancy dates of the four Phase 1 vertical buildings and the open space elements.

Table 3 – Phase 1 Construction and Occupancy Status

Parcel	TCO* Date	Occupancy Date	Comments
Parcel G	January 2023	April 2024	VISA TI work nearing completion.
Parcel A	May 2023	June 2023	Market rate and BMR leasing are ongoing. BMR lottery occurred on 6/20/23.
Parcel B	June 2023	TBD	Leasing ongoing. Ground floor retail TI work in progress.
Parcel F	Projected June 2024	3Q24	The building is on schedule for delivery in 2Q 2024.
Horizontal – Streets	Projected Q2 2024	N/A	Improvements are nearing completion and supported TCO of 3 vertical buildings. Formal City Acceptance process is in progress.
Horizontal – China Basin Park	Projected Q2 2024	April 2024	Park to open pursuant to Master Lease; Parks Lease negotiations in progress; Port Acceptance anticipated fall 2024.

**Temporary Certificate of Occupancy*

As noted in the above table and at the March 12, 2024, Port Commission Meeting, the Port and City are now working with the Developer on the formal process to accept the Phase 1 horizontal improvements. The acceptance process for Mission Rock will be similar to the acceptance process for the Port's Pier 70 project, which was presented to the Port Commission at its January 23, 2024, meeting and approved (Resolution 24-03). The Board of Supervisors subsequently approved by Ordinance in March 2024 (240087).

Office / Retail Leasing:

As previously reported, the office space in Parcel G is 100% leased to Visa. Parcel B has received its TCO and is on the market as a Class A office/life science space. While the building remains one of the only new class A+ office spaces on the market, the high commercial office vacancy rates within the City have created challenges to leasing office space.

Ground floor retail leasing is progressing well and currently stands at 43% leased, with five Food & Beverage leases and one Fitness lease executed, with several other leases in active negotiation. This leasing activity includes over half of the 52,000sf of ground floor retail space in Phase 1.

Local Business Enterprise Status:

As more thoroughly reported at the March 12, 2024, Port Commission meeting, through fall 2023, the project has awarded 18.57% of project costs to LBE firms (\$166.3M of \$895.5M). These LBE firms accounted for 24.5% of all vendors that have worked on the project (102 LBE vendors out of 415 total project vendors).

Phase 1 Budget Update:

Horizontal Project Budget – As reported at the March 12, 2024, Port Commission meeting, the approved Phase 1 budget is \$218,470, 355. As of year-end 2023, the Project is on budget with approximately \$3.5M remaining in contingency funding.

City Cost Budget – The approved budget for City agency costs is \$19,577,000. As of year-end 2023, there is a \$72,000 surplus in City agency costs.

IV. Parcel A Leasing

Overview:

Parcel A, The Canyon, includes a total of 283 units of which 102 or 37% are BMR units. As of March 26, 2024, 28 of the 102 BMR units (27%) and 126 of the 181 of the market-rate units (70%) have been leased. While the market-rate units have been well-received in the community and the leasing activity has met or exceeded expectations, the relatively slow lease-up of the BMR units has prompted the Developer and Port staff, in consultation with MOHCD, to scrutinize the leasing data seeking to 1) understand how the building’s specific BMR offering does and/or does not meet market demand, 2) inform the leasing strategy for Parcel F and, 3) propose modifications to drive the occupancy of BMR units.

Below Market Rate Leasing Progress:

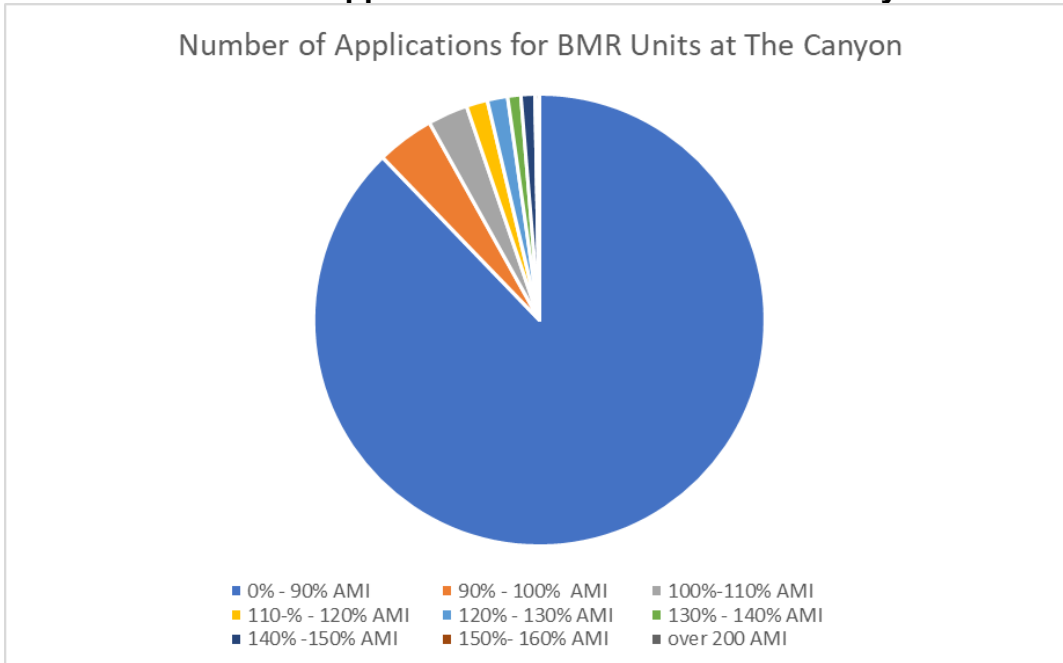
Parcel A includes 102 BMR (36%) of 283 total units with affordability at 90%, 120%, and 150% of Area Median Income (“AMI”), generally considered “middle-income households.” The BMR units feature identical high-end finishes and appliances as the market-rate units, and BMR unit residents have access to all the building’s amenity spaces and services. MOHCD governs the pricing, marketing, and leasing of the BMR units and requires applicants for BMR units to enter a lottery. The lottery process randomly ranks applicants, with preference given to certain categories of applicants such as those who live or work in San Francisco or those who have been displaced through certain circumstances such as fire or eviction.

On June 27, 2023, MOHCD conducted the lottery for the 2,963 applicants for BMR units in Parcel A. As shown in the table below:

- 961 or 32.43% of applicants reported income between 60% and 90% of AMI,
- 252 or 8.5% of applicants reported income between 90% and 120% of AMI, and
- 101 or 3.41% of applicants reported income between 120% and 150% of AMI.

Notably, 87.78% of all applicants reported incomes at 90% of AMI, including 55.35% at 60% of AMI or less for the units available which are priced between 90%-150% of AMI.

Table 4 – Applications for Parcel A BMR Lottery



As of March 26, 2024, the BMR leasing team has processed 1,803 applications and signed 28 leases (27% of the total BMR units). During this same period, over 70% of the market-rate units have been leased. Rents for the BMR units are, on average, 29% lower than rents for comparable market-rate units, and BMR units are offered with the same concession packages as market-rate units. A summary of the leased BMR units by unit type is shown in the following table:

Table 5 – The Canyon BMR Units

Phase 1 Submittal Housing Table 2019						
AMI Level	Parcel A	%	Parcel F	%	Total	%
90%	10	5.2%	13	7.8%	23	4.1%
120%	54	18.4%	56	21.1%	110	19.6%
150%	38	12.9%	31	11.7%	69	12.3%
	102	36.5%	100	40.5%	202	36.1%
Market Rate	192		166		358	
Total	294		266		560	

Table 6 – The Canyon BMR Units – Leased as of March 26, 2024

Residential Units at The Canyon - Leased as of March 26, 2024							
Unit Type	Studio	1 Bed	2 Bed	3 Bed	Total	Leased % of Available BMR Units	
90% AMI		1	7	2	0	10	100.0%
120% AMI		2	4	8	1	15	27.8%
150% AMI		0	2	0	1	3	7.9%
Total BMR		3	13	10	2	28	27.5%

Leasing for 90% of AMI units has been successful based on the 100% lease-up rate. An additional 15 applicants were approved for 90% AMI units and are currently on a waitlist for future available units.

Leasing has been slower for units at higher AMI levels. 30% of the 54 units for households with up to 120% AMI and 8% of the 38 households with 150% units have been leased after six months of BMR application processing. Further, we note that larger units at the higher AMI level have been leasing faster than studio and one-bedroom units. It is believed that this may be due, in part, to the greater discount to market rents on those larger units.

The rate of leasing for the 90%, 120%, and 150% AMI level units generally reflects the distribution of applicants at those income levels. The Developer believes that the high number of applicants with reported incomes at or below 90% of AMI indicates increased interest for BMR units by households in that income bracket, which has translated to a higher number of qualified renters for these units. Further, not only are there fewer numbers of qualified applicants at the 120% and 150% AMI income levels, but those renters have more options for housing elsewhere, which is believed to make them less inclined to participate in a lengthy process to rent a BMR unit at The Canyon. AMI.

In summary, the analysis indicates a significantly higher demand for the 90% AMI units in terms of the number of qualified applicants. This has resulted in 100% of these units being leased versus only 27.78% of the 120% AMI units and 7.89% of the 150% AMI units having been leased since June 2023. This demand and supply mismatch represents a serious challenge to successfully leasing the remaining and future residential units in a timely manner.

V. Proposed Changes to Parcel F Leasing

Overview and Status of Parcel F:

Parcel F, which contains 254 total units, is expected to receive a Temporary Certificate of Occupancy (TCO) in May and will be ready for move-ins in June 2024. In anticipation of this milestone, the Developer has examined the Parcel A leasing data and results to inform the leasing strategy for Parcel F.

The Parcel F VDDA and lease set forth 97 BMR units, or 38% of the total, as summarized in the following table:

Table 7 – Parcel F Housing Table 2022/2023

Parcel F Housing Table 2022/2023						
Unit Type	Studio	1 Bed	2 Bed	3 Bed	Total	% of Total
90% AMI	2	5	5	1	13	5.1%
120% AMI	6	28	19	2	55	21.7%
150% AMI	1	16	12	0	29	11.4%
Total BMR	9	49	36	3	97	38.2%
Market rate	21	83	52	1	157	61.8%
Total Units	30	132	88	4	254	

Like Parcel A, the BMR units in Parcel F have the same high-quality finishes and appliances as the market-rate units, and residents will enjoy the same amenity spaces and services. Also, like Parcel A, the current BMR unit mix for Parcel F includes a high number of 120% and 150% AMI units. The Parcel F BMR units will be leased through the same process governed by MOHCD. While it is difficult to predict the number of applicants who may apply for BMR units at Parcel F, the Developer's leasing team expects that the number of applicants will be comparable to the number of applicants at Parcel A.

Proposed Modifications:

Based on the trends and leasing experience at Parcel A, the Developer believes the current AMI distribution in the Phase 1 Submittal may face similar leasing challenges and therefore proposes modifications to address this issue. The Developer, in consultation and with support from the MOHCD, has proposed a revision to the BMR housing mix for Parcel F to better match the demand at various AMI levels. The revised proposal is shown in the table below:

Table 8 – Parcel F Housing Table Revised

Parcel F Housing Table Revised (2024)						
Unit Type	Studio	1 Bed	2 Bed	3 Bed	Total	% of Total
90% AMI	3	18	13	1	35	13.8%
120% AMI	0	0	22	2	24	9.4%
150% AMI	0	0	0	0	0	0.0%
Total BMR	3	18	35	3	59	23.2%
Market rate	27	114	53	1	195	76.8%
Total Units	30	132	88	4	254	

VI. Staff Analysis and Recommendation

The following table summarizes the difference in the number of BMR units across Phase 1 if the proposed modifications are made to Parcel F:

Table 9 – Phase 1 Housing Table 2019

Phase 1 Housing Data Table 2022/2023						
Parcel	Total Units	Inclusionary Units	90% AMI	120% AMI	150% AMI	% of Total
Parcel A	283	102	10	54	38	36%
Parcel F	254	97	13	56	31	38%
Total Phase 1	537	199	23	110	69	37%

Table 10 – Phase 1 Revised Housing Table

Phase 1 Housing Data Table Revised 2024						
Parcel	Total Units	Inclusionary Units	90% AMI	120% AMI	150% AMI	% of Total
Parcel A	283	102	10	54	38	36%
Parcel F	254	59	35	24	0	23%
Total Phase 1	537	161	45	78	38	30%

As discussed, these revisions to the unit mix at Parcel F are proposed in consultation with and support from MOHCD and Port Staff, and the analysis has considered several constraints and key provisions of the transaction documents. Some of the more important considerations are:

1. Pursuant to the DDA and Housing Plan, the Developer has discretion to determine the exact number of inclusionary units to be developed on each residential parcel, as well as the affordability level of each unit provided the cumulative number of all inclusionary units in any Phase Submittal shall be no less than 30% of all residential units. The proposed changes modify Phase 1 from 36% to 30% (rounded from 29.98%).
2. The Housing Plan requires the number of inclusionary units in each vertical parcel to be between 20% and 60% of the total on any given parcel. The proposed modification results in 36% of Parcel A units and 23.33% of Parcel F leased as BMR units.
3. The Housing Plan stipulates that affordability levels shall be appropriately distributed throughout the Project Site and Inclusionary Units consisting of Forty-Five percent (45%) and Fifty-Five percent (55%) AMI shall not be grouped or constructed in only the later phases of the Project, unless approved by Port, in consultation with MOHCD. The proposed Inclusionary Unit mix distributes the units at various affordability levels. The first phase includes 90%, 120%, and 150% AMI units, which is consistent with the Phase Submittal previously approved by the Port in consultation with MOHCD.
4. The proposed unit mix significantly increases the number of 90% AMI units from 13 to 35 to meet the high demand in that category. Conversely, the proposed unit mix decreases the number of 120% AMI units from 55 to 24 and eliminates all 150% AMI units. While this results in fewer 120% and 150% AMI units in Parcel F, the Developer, and MOHCD believe there is an ample number of units still vacant and available for leasing in the combined offering of Parcel A and Parcel F at this time. A total of thirty-five 90% AMI units, sixty-three 120% AMI units, and thirty-five 150% AMI units are vacant at the time of this memorandum.

5. As mentioned, the Housing Plan is Exhibit B5 to the DDA and describes measures to ensure that at least 40% of all residential units in the completed Project (across all Phases) are inclusionary BMR units for low- and moderate-income households (between 45% to 150% of Area Median Income). The Developer is committed to achieving this level of Project affordability and, to that end, has studied various pathways to reach the 40% target at full Project build-out by increasing the number of inclusionary units in future Phases. The table below is indicative of one such pathway that illustrates a possible range of units in future Phases.

Table 11 – Project at Full Build-out Housing Table

Mission Rock Residential at Full Project Build-out*								
Parcel	Total Units	Inclusionary Units	% of Total	45% AMI	55% AMI	90% AMI	120% AMI	150% AMI
Phase 1								
Parcel A	283	102	36.0%	-		4.0%	19.0%	13.0%
Parcel F	254	59	23.2%			14.0%	9.0%	0.0%
	537	161	30.0%					
Phase 2								
Parcel D1A	125	125	100.0%	19.0%	81.0%	0.0%	0.0%	0.0%
Phase 1 + 2 (projected)	662	286	43.2%					
Remaining Phases								
Parcel D1B	223	76	34.0%	0.0%	0.0%	0.0%	28.0%	6.0%
Parcel K	115	38	33.0%	0.0%	0.0%	0.0%	26.0%	7.0%
	338	114	33.7%					
Total	1,000	400	40.0%					

*This table is for indicative purposes only, to illustrate one possible pathway to achieve a total inclusionary level of 40%. Phase 2 and future phase unit counts also for illustrative purposes only

In summary, the proposed modification of the unit mix is based on a careful analysis of the application and leasing trends at Parcel A to better align Parcel F's unit mix with demand, while remaining in compliance with the Housing Plan.

VII. Staff Recommendation and Next Steps

The proposal to revise the total number, unit types, and household affordability levels of the BMR units in Parcel F requires the approval of the Port Commission, in consultation with MOHCD. The DDA and Housing Plan identify MOHCD as the City's principal regulatory agency with respect to the Housing Plan. The Housing Plan provides that the Developer may revise the BMR unit number, type, and affordability level even after execution of the VDDA and Parcel Lease, subject to Port Commission approval, in consultation with MOHCD.

Accordingly, the Port Commission must determine whether to approve the Developer's proposed revisions in consultation with MOHCD. For the reasons set forth in this staff report, Port staff recommends approval of the attached Resolution acknowledging Port staff's conclusion that the Developer's proposal is complete and complies with the DDA and authorizing the Port's Executive Director or designee to execute amendments to the

VDDA, Parcel Lease, and other ancillary documents implementing the proposal such as a Declaration of Restrictions.

Upon approval of the Resolution, Port staff will work with the Developer and MOHCD staff to execute associated transaction documents to effect the changes at Parcel F and to allow leasing to commence at Verde.

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For: Scott Landsittel
Deputy Director
Real Estate and Development

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 24-21

WHEREAS, In January 2018, by Resolution No. 18-03, the Port Commission approved the terms of a Disposition and Development Agreement (“DDA”) between the Port and the Seawall Lot 337 Associates, LLC, a Delaware limited liability company (“Developer”), and related transaction documents that are incorporated into the DDA, including forms of Parcel Lease and Vertical Disposition and Development Agreement (“VDDA”), for the development of approximately 28-acres located along the Port’s Central Waterfront and commonly referred to as “Mission Rock” (the “Project”), comprised of (1) Seawall Lot 337, bounded by Third Street on the west, Mission Rock Street on the south, Pier 48 to the east, and China Basin Park on the north; (2) Pier 48; (3) China Basin Park; (4) the marginal wharf between Pier 48 and Pier 50; and (5) Parcel P20 (collectively, the “Site”); Capitalized terms not otherwise defined herein shall have the meaning set forth in the Appendix to the DDA; and

WHEREAS, Developer is a limited liability company, which is wholly owned by TSCE 2007 Mission Rock, L.L.C. and Giants Development Services, LLC, the former is an affiliate of Tishman Speyer Properties, L.P., and the latter is an affiliate of San Francisco Baseball Associates, LLC, the Major League Baseball franchise holder of the San Francisco Giants; and

WHEREAS, In February 2018, the Board of Supervisors approved the DDA by Resolution No. 42-18, and approved the Development Agreement for the Project by Resolution No. 33-18; and

WHEREAS, On April 4, 2019, the Developer submitted its “Phase Submittal” for “Phase 1” of the Project, which was accepted by Port staff as complete and in compliance with the DDA; and

WHEREAS, The Port executed that certain VDDA (“Parcel F VDDA”) and Lease No. L-16706 (Mission Rock – Phase 1, Parcel F/Lot 4) with an affiliate of Developer, Mission Rock Parcel F Owner, L.L.C. (“Tenant”), dated as of October 6, 2020 (the “Parcel F Lease”), as evidenced by that certain Memorandum of Lease, dated as of October 6, 2020, by Port and Tenant Developer affiliate, and recorded in the Official Records on October 7, 2020 as Document Number 2020027143; and

WHEREAS, The Parcel F VDDA and Parcel F Lease each document the Developer’s and Tenant’s initial proposal for units that are affordable to low- and middle-income households (“BMR” units) in Parcel F based on the Phase 1 Phase Submittal; and

WHEREAS, In January 2024, the Developer submitted to Port a revised Phase 1 Phase Submittal that modifies the number of and eligibility for the BMR units in Parcel F, based on the marketing and lease-up experience with BMR units in an adjacent residential parcel in the Project (Parcel A), as detailed in the memorandum accompanying this resolution; and

WHEREAS, Port staff have consulted with the Mayor's Office of Housing and Community Development ("MOHCD") to review Developer's proposal for Parcel F that reduces the total number of BMR units and provides deeper affordability by increasing the number of BMR units available to households with incomes less than the area median income; and

WHEREAS, Port staff concluded that the revised Phase 1 Phase Submittal is complete and complies with the DDA, including the proposed changes to the BMR unit count and household eligibility; and

WHEREAS, The Parcel F VDDA, Parcel F Lease, and other ancillary documents must be amended to reflect the changes to the BMR units in Parcel F; and

WHEREAS, The actions contemplated in this resolution are within the scope of the project, for which the Port Commission by Resolution No. 18-06 on January 30, 2018, and the Board of Supervisors by Resolution No. 33-18 on March 6, 2018, respectively, affirmed the Planning Commission's certification of the Final Environmental Impact Report for the Seawall Lot 337 and Pier 48 Mixed-Use Project (Planning Commission Motion No. 20018) and made findings in accordance with the California Environmental Quality Act (California Public Resources Code section 21000 et. seq.) and Administrative Code Chapter 31, which resolutions are incorporated herein by reference; and

WHEREAS, The Port concludes that amending the Parcel F VDDA, Parcel F Lease, and ancillary documents to reflect the revised Phase 1 Phase Submittal as detailed in the memorandum accompanying this resolution is reasonable and in the best interest of the project; now, therefore be it

RESOLVED, The Port Commission authorizes the Executive Director, or the Executive Director's designee, to execute amendments to the Parcel F VDDA and to the Parcel F Lease, and any and all other documents reasonably necessary to reflect the revised Phase 1 Phase Submittal and its modifications to the number and affordability levels of the BMR units in Parcel F as detailed in the memorandum accompanying this resolution, including but not limited to notices of special restrictions and memorandum of amendment, and to record such documents as may be necessary; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director of the Port, or the Executive Director's designee, to enter into any further amendments or modifications to the Parcel F VDDA, the Parcel F Lease, and any ancillary documents related to Parcel F to implement the purpose and intent of this resolution that the Executive Director determines, in consultation with the City Attorney, are in the best interests of the Port, do not materially decrease the benefits to or materially increase the obligations or liabilities of the Port, and are in compliance with all applicable laws.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 9, 2024.

Secretary