Resolution approving the Redevelopment Agency of the City and County of San Francisco’s lease of land at Assessor’s Block 3508, Lots 26 and 27, commonly known as 10th and Mission Streets, San Francisco, California (the “Site”) in the Mid-Market Redevelopment Survey Area, to Mercy Housing California XIV, L.P., a California Limited Partnership, for 65 years for the purpose of developing housing for very low income family households, including formerly chronically homeless households.

WHEREAS, The Agency and the City desire to increase the City’s supply of affordable housing and encourage affordable housing development through financial and other forms of assistance; and

WHEREAS, The housing development located at 10th and Mission Streets, Assessor’s Block 3508, Lots 26 and 27, San Francisco, California (the “Site”) in the Mid-Market Redevelopment Survey Area (the “Survey Area”) (“the Project” or “Property”), is a lot which currently is improved by the King Diner and a parking lot, which may be converted to permanent, quality, affordable housing for Very Low Income households, as those terms are defined by the United States Department of Housing and Urban Development (“HUD”); and

WHEREAS, Mercy Housing California XIV, L.P., a California Limited Partnership (“Developer”), is an entity established to develop and operate the Project as housing units for Very Low Income family households and entered into a Purchase and Sale Agreement with the current owners of the Project; and

WHEREAS, The Developer requested that the Agency assume the Developer’s right to purchase the Property with the intention of leasing the land back to the Developer; and
WHEREAS, The Agency became the owner of the land associated with the Project (the
“Property”) in order to assist in the Project’s acquisition and to ensure the long-term
affordability of the Project; and

WHEREAS, The Agency and the Mayor’s Office of Housing supplied additional
predevelopment funding to the Project in order to investigate the economic feasibility of the
Project and complete predevelopment activities; and

WHEREAS, The Developer shall leverage the City’s financial assistance through
applications to the California Debt Limit Allocation and California Tax Credit Allocation
Committees and the State of California’s Multifamily Housing Program for additional Project
funding; and

WHEREAS, The Agency and the Developer have entered into an option to ground
lease agreement and intend to enter into a ground lease agreement (“the Ground Lease”), in
which the Agency will lease the Property for One Hundred Eighty Thousand Dollars
($724,500.00) per year, with new appraisal adjustments every fifteen years, of which $20,000
is due and payable each year with the remainder payable to the extent income exceeds
operations, in exchange for the Developer’s agreement, among other things, to operate the
Project with rent levels affordable to Very Low Income Households; and

WHEREAS, Although the Property could command a higher rent, leasing the Property
for a rent in excess of the stated rent would render it financially infeasible to operate the
Project with rent levels affordable to Very Low Income Households; and

WHEREAS, Because the Property was purchased with tax increment money, Section
33433 of the California Health and Safety Code requires the Board of Supervisors’ approval of
its sale or lease, after a public hearing; and

WHEREAS, Notice of the public hearing has been published as required by Health and
Safety Code Section 33433; and
WHEREAS, The Agency prepared and submitted a report in accordance with the requirements of Section 33433 of the Health and Safety Code, including a copy of the proposed Ground Lease, and a summary of the transaction describing the cost of the Ground Lease to the Agency, the value of the property interest to be conveyed, the lease price and other information was made available for the public inspection; now, therefore, be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco does hereby find and determine that the lease of the Property from the Agency to Mercy Housing California XIV, L.P., a California Limited Partnership: (1) will provide housing for Very Low Income Persons; (2) is consistent with the Agency's Citywide Tax Increment Affordable Housing Program, pursuant to California Health and Safety Code Section 33342.2, et. seq.; (3) the less than fair market value rent of approximately One Hundred Eighty Thousand Dollars ($724,500.00) per year, as adjusted per reappraisals every fifteen years, for a period of fifty-five (65) years is necessary to achieve affordability for Very Low Income Households; and (4) the consideration to be received by the Agency is not less than the fair reuse value at the use and with the covenants and conditions and developments costs authorized by the Ground Lease; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby approves and authorizes the Agency to execute the Ground Lease of the Property from the Agency to Mercy Housing California XIV, L.P., substantially in the form of the Ground Lease lodged with the Agency General Counsel, and to take such further actions and execute such documents as are necessary to carry out the Ground Lease on behalf of the Agency.

Redevelopment Agency of the City and County of San Francisco
BOARD OF SUPERVISORS
File Number: 050671  Date Passed:

Resolution approving the Redevelopment Agency of the City and County of San Francisco’s lease of land at Assessor’s Block 3508, Lots 26 and 27, commonly known as 10th and Mission Streets, San Francisco, California (the “Site”) in the Mid-Market Redevelopment Survey Area, to Mercy Housing California XIV, L.P., a California Limited Partnership, for 65 years for the purpose of developing housing for very low income family households, including formerly chronically homeless households.

May 10, 2005  Board of Supervisors — ADOPTED

Ayes: 10 - Alioto-Pier, Ammiano, Daly, Dufty, Elsbernd, Ma, McGoldrick, Mirkarimi, Peskin, Sandoval
Absent: 1 - Maxwell
I hereby certify that the foregoing Resolution was ADOPTED on May 10, 2005 by the Board of Supervisors of the City and County of San Francisco.

File No. 050671

Date Approved

Gloria L. Young
Clerk of the Board

Mayor Gavin Newsom