[Ground Lease - Redevelopment Agency Land - 474 Natoma Street]

Resolution approving and authorizing the Redevelopment Agency of the City and County of San Francisco to execute a lease of land at 474 Natoma, Assessor's Block no. 3725, Lot no. 101, to 474 Natoma, LLC, a California limited liability company, an affiliate of BRIDGE Housing Corporation, a California nonprofit public benefit corporation, for 75 years, with an option to extend for 24 years, for the purpose of providing housing for very low-income households.

WHEREAS, The Agency and the City desire to increase the City's supply of affordable housing by encouraging the construction of affordable housing through financial and other forms of assistance; and

WHEREAS, The BRIDGE Housing Corporation (BRIDGE) applied to the Agency for a tax increment loan in the amount of $15,470,713 for the ground lease and construction of a 60-unit affordable rental housing development located at 474 Natoma Street, currently described as the Natoma Family Apartments (Project), located at 474 Natoma Street, Assessor's Block no. 3725, Lot no. 101 (Property); and

WHEREAS, 474 Natoma, LLC, a California limited liability company (Tenant), is an affiliate of BRIDGE Housing Corporation, a California nonprofit public benefit corporation, and desires to enter into a ground lease with the Agency; and

WHEREAS, the Agency issued a Request for Proposals (RFP) for 474 Natoma in December 2006, and an evaluation panel comprised of seven members unanimously rated the proposal submitted by BRIDGE the highest. The Commission simultaneously authorized a predevelopment loan in the amount of $2,600,000. On August 21 2007, site control was obtained when the Agency Commission authorized an Exclusive Negotiations
Agreement with BRIDGE for development of the Project. On April 19, 2011, the Commission authorized an additional tax increment loan agreement funds in an amount not to exceed $12,870,713 for a total aggregate amount not to exceed $15,470,713; and

WHEREAS, The Agency has proposed a long-term ground lease agreement (Ground Lease) with the Tenant to allow for the construction and operation of the improvements at the Property while allowing the Agency to ensure that the affordability of the housing is maintained over the long term; and

WHEREAS, the Agency Commission approved the Ground Lease on April 9, 2011, and the Developer and the Agency executed the Ground Lease, prior to the June 28, 2011 date that AB x1 26 (the "Redevelopment Dissolution Act") became effective and therefore the Agency is obligated to implement the Ground Lease is an "Enforceable Obligation" under Ca. Health and Safety Code Section 34167(d)(5); and,

WHEREAS, The construction plan will provide for the development of 60 units at 474 Natoma Street with approximately 73,600 gross square feet, comprised of seven studio units, 28 one-bedroom units, 18 two-bedroom units and seven three-bedroom units; and

WHEREAS, The long-term financing plan for the Project includes the leveraging of Agency funds that will pay for a portion of the development costs, through successful financial applications for construction and permanent funding from a commercial lender acceptable to the Agency, Tax Exempt Bond Financing, California Tax Credit Equity, and General Partner Equity. The Tenant anticipates that the Project will be completed and occupied in 2014; and

WHEREAS, The Agency and the Tenant have entered into the Ground Lease, in which the Agency will lease the Property is 10% of the fair market value of $3,300,000 for a lease payment of $330,000 per year, in exchange for the Tenant's agreement, among other things, to operate the Project with rent levels affordable to Very Low-Income Households,
provided, however, that notwithstanding any other provision of the Ground Lease, the
Annual Rent shall accrue, of which $15,000 is due and payable each year for the first fifteen
years. The base rent is to be reset every 15 years based on reappraisal. The remainder of
each annual lease shall be payable to the extent the Project's annual operation income
exceeds annual operating expenses, required reserves and approved fees; and

WHEREAS, Because the Property was purchased with tax increment funds, 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 474
Natoma, LLC, a California limited liability company: 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.;
and 3) 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 development 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 474 Natoma, LLC, a California limited liability company, substantially in the form of the Ground Lease lodged with the Agency General Counsel.
Resolution

File Number: 111132  Date Passed: November 15, 2011

Resolution approving and authorizing the Redevelopment Agency of the City and County of San Francisco to execute a lease of land at 474 Natoma, Assessor’s Block No. 3725, Lot No. 101, to 474 Natoma, LLC, a California limited liability company, an affiliate of BRIDGE Housing Corporation, a California nonprofit public benefit corporation, for 75 years, with an option to extend for 24 years, for the purpose of providing housing for very low-income households.

November 15, 2011 Board of Supervisors - AMENDED
Ayes: 11 - Avalos, Campos, Chiu, Chu, Cohen, Elsbernd, Farrell, Kim, Mar, Mirkarimi and Wiener

November 15, 2011 Board of Supervisors - ADOPTED AS AMENDED
Ayes: 11 - Avalos, Campos, Chiu, Chu, Cohen, Elsbernd, Farrell, Kim, Mar, Mirkarimi and Wiener

File No. 111132

I hereby certify that the foregoing Resolution was ADOPTED AS AMENDED on 11/15/2011 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor Edwin Lee

Date Approved