

RESOLUTION NO. 40-2008

Adopted May 6, 2008

AUTHORIZING THE EXECUTIVE DIRECTOR TO PAY \$495,969.20 TO THE DEPARTMENT OF BUILDING INSPECTION FOR THE ASSIGNMENT OF THE SITE PERMIT TO THE AGENCY AND RELATED FEES OF \$15,225.03 TO THE SAN FRANCISCO UNIFIED SCHOOL DISTRICT FOR SCHOOL IMPACT FEES, FOR A TOTAL NOT TO EXCEED \$511,194.23, AS PART OF STANDARD PREDEVELOPMENT COSTS, FOR THE DEVELOPMENT OF 100 UNITS OF LOW- AND VERY-LOW INCOME SENIOR RENTAL HOUSING AT MARY HELEN ROGERS SENIOR COMMUNITY, 701 GOLDEN GATE AVENUE, CENTRAL FREEWAY PARCEL C; WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2; CITYWIDE HOUSING TAX INCREMENT PROGRAM

BASIS FOR RESOLUTION

1. On March 19, 2002, the Redevelopment Agency of the City and County of San Francisco (the "Agency") and the City and County of San Francisco (the "City") executed a Transfer of Real Estate Agreement, enabling the Agency to purchase Central Freeway Parcels A and C from the City for the purpose of developing affordable senior housing.
2. As required in the City's Transfer of Real Estate Agreement, the Agency issued a Request for Proposals ("RFP") for the construction, ownership, and operation of affordable senior housing on Parcels A and C on April 18, 2003, for 100 units of very low- and low-income senior housing with supportive services on each of the parcels.
3. On November 18, 2003, the Commission selected Mission Housing Development Corporation, a California nonprofit public benefit corporation ("MHDC"), as the most qualified developer for Parcel C and authorized an exclusive negotiations agreement (the "ENA") with MHDC, which provided the developer with the exclusive right to pursue development activities on the site.
4. On February 17, 2004, the Commission authorized a predevelopment loan agreement (the "Loan Agreement") with MHDC.
5. The ENA defined a series of milestones during an exclusive negotiations period that was to result in the execution of a ground lease agreement for consideration by the Commission. As permitted under the ENA, the Executive Director extended the ENA for one month to allow MHDC to meet its milestones and obligations under the ENA. MHDC's ENA expired on April 18, 2005.
6. On July 26, 2005, following Commission direction, the Executive Director issued a notice of default on the Loan Agreement with MHDC for Parcel C. Since the primary event of default was MHDC's failure to remain in exclusive negotiations, MHDC's primary cure was to re-enter into exclusive negotiations with the

Agency by demonstrating to the full satisfaction of the Agency that MHDC would on its own, or through the addition of new partners, have the ability to perform under a new ENA.

7. Following Commission direction, Agency staff worked with MHDC to cure its defaults through the addition of new development partners, The John Stewart Company, a California corporation ("JSCO"), and Devine and Gong, Inc., a California corporation ("DGI") (collectively with MHDC, the "Developer"). Under the new development team structure, MHDC and JSCO were co-managing general partners during predevelopment and construction of the project, and DGI would have served as an additional general partner.
8. On February 7, 2006, the Commission authorized the Executive Director to execute a new ENA with the new Developer for a twelve-month negotiation period. On the same date, the Commission authorized a First Amendment to the Loan Agreement to add JSCO and DGI as additional borrowers and to replace the existing Schedule of Performance to conform with the new Schedule of Performance as attached to the new ENA.
9. On February 7, 2006, the Commission also designated the Parcel C site in honor of Mrs. Mary Helen Rogers, a co-founder of the Western Addition Community Organization, the facilitator of the first project area committee in the nation, and the founding chair of the Western Addition A-2 Citizens Advisory Committee ("WA-CAC").
10. On June 20, 2006, the Commission adopted Resolution No. 87-2006 conditionally approving the Developer's schematic design plans for the Mary Helen Rogers Senior Community, a development of 100 units of low- and very-low income senior rental housing (the "Development") and finding the Development to be an Implementing Action within the scope of the Project analyzed in a Negative Declaration on amendments to the Western Addition A-2 Redevelopment Plan. The Commission previously adopted the Negative Declaration pursuant to Resolution No. 55-2004 on May 19, 2004.
11. On August 16, 2006, the Commission authorized additional predevelopment funding in the amount of \$750,968 for a total predevelopment loan amount not to exceed \$1,869,312 in order to continue predevelopment work, fulfill its ENA obligations, and prepare for the execution of the ground lease and commencement of construction.
12. On February 6, 2007, the ENA to develop the Development expired because the Developer was unable to achieve milestones relating to the on-site services.
13. On July 18, 2007, the Developer sought to revise the services plan to be implemented at the former café space by a new services partner, Episcopal Homes Foundation.
14. On September 20, 2007, the WA-CAC elected not to endorse the new services partner. The WA-CAC voted to no longer endorse the Development because the Development was endorsed based on the café concept being part of the

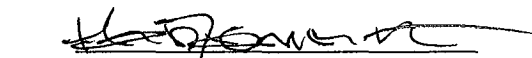
Development, and asked that Agency staff weigh in on the legality of proceeding with a different development and services team.

15. On November 8, 2007, the WA-CAC voted to support a new RFP process that would seek a new development and ownership team, service provider, and concept for the ground floor space. However, because the architectural drawings are 100% complete, and because the project has already been substantially delayed Agency staff recommended and the WA-CAC agreed to proceed with the completed architectural drawings.
16. In January 2008, Agency staff received all Development related work product, including all architectural drawings, which the Agency considers adequate repayment of the predevelopment loan funds.
17. The Agency now desires to obtain the site permit for Parcel C from the City Department of Building Inspection ("DBI") as the Developer applied for but never paid for or picked up the site permit. The costs associated with permitting fees total \$511,194.23, of which \$495,969.20 is for the DBI permitting process and \$15,225.03 is for San Francisco Unified School District school impact fees, which fees are a standard part of predevelopment costs for this type of project. Paying these fees allow the site permit and the architectural drawings to remain active while the Agency seeks a new development team for Parcel C.
18. Payment of the fees is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15061(b)(3). Payment of fees for the assignment of the site permit to the Agency and payment of school impact fees will not cause a change in the physical environment.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to pay \$495,969.20 to the Department of Building Inspection for the assignment of the Site Permit to the Agency and related fees, and \$15,225.03 to the San Francisco Unified School District for school impact fees, for a total not to exceed \$511,194.23, as part of standard predevelopment costs, for the development of 100 units of low- and very low-income senior rental housing at the Mary Helen Rogers Senior Community, 701 Golden Gate Avenue, Central Freeway Parcel C, in the Western Addition Redevelopment Project Area A-2; Citywide Housing Tax Increment Program.

APPROVED AS TO FORM:


James B. Morales
Agency General Counsel