

## RESOLUTION NO. 57-2010

*Adopted May 18, 2010*

**AUTHORIZING A SECOND AMENDMENT TO THE REGULATORY AND GRANT AGREEMENT WITH OCTAVIA COURT, INC., A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION, TO INCREASE THE GRANT IN AN AMOUNT NOT TO EXCEED \$660,351, FOR A TOTAL AGGREGATE AMOUNT NOT TO EXCEED \$4,647,651, FOR THE DEVELOPMENT OF 15 UNITS OF VERY LOW-INCOME RENTAL HOUSING FOR PERSONS WITH DEVELOPMENTAL DISABILITIES ON CENTRAL FREEWAY PARCEL Q, SOUTHWEST CORNER OF OCTAVIA STREET AND OAK STREET; CITYWIDE TAX INCREMENT HOUSING PROGRAM**

### BASIS FOR RESOLUTION

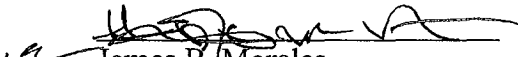
1. On November 19, 2004, the Redevelopment Agency of the City and County of San Francisco (the "Agency") purchased Central Freeway Parcel Q from the City and County of San Francisco for the express purpose of developing affordable housing.
2. On September 9, 2005, the Agency issued a Request for Proposals (the "RFP") for the construction, ownership, and operation of 15 units of affordable housing for disabled individuals and their families on Central Freeway Parcel Q. The RFP sought high-quality proposals from experienced development teams comprised of a developer, architect, service provider, and property manager.
3. Two development teams submitted proposals, both of which met the minimum requirements defined in the RFP. An interdisciplinary evaluation panel (the "Evaluation Panel") reviewed the proposals and interviewed the development teams. The teams then presented their proposals at a public town hall meeting on February 7, 2006.
4. The Evaluation Panel determined that the submittal presented by the joint-venture team of West Bay Housing Corporation, a California nonprofit public benefit corporation, and Satellite Housing, Inc., a California nonprofit public benefit corporation, offered the best development program for Parcel Q. These two organizations subsequently formed an ownership entity known as Octavia Court Inc., a California nonprofit public benefit corporation (the "Developer").
5. Octavia Court is approximately 15 affordable housing units (including one manager's unit) for very low-income developmentally disabled adults who are at or below 50 percent of Area Median Income (the "Project"), pursuant to the U.S. Department of Housing and Urban Development's ("HUD") Section 811 project guidelines, as the Developer applied for and received HUD Section 811 financing for the Project.

6. To demonstrate to HUD that the Developer had local commitment in the Developer's Section 811 Program application, the Agency on May 16, 2006 authorized: (1) a Regulatory and Grant Agreement ("Regulatory and Grant Agreement") in an amount not to exceed \$2,035,691 in permanent financing to make the Project financially feasible, as well as to pay for predevelopment and ultimately construction expenses; (2) a Tax Increment Loan ("Tax Increment Loan") in an amount not to exceed \$1,922,162 for construction bridge loan funds to eliminate construction interest costs (which funds will be repaid at the end of the construction period with the State of California's Multifamily Housing Program ("MHP") funds for permanent financing in an amount equal to the Tax Increment Loan); and, (3) a Lease Option Agreement to demonstrate site control which is a requirement for a successful application to the Section 811 Program.
7. The Developer was successful in obtaining both the HUD Section 811 Program award and the MHP award.
8. On October 7, 2008, the Agency Commission authorized a First Amendment to the Regulatory and Grant Agreement to increase the grant amount by \$1,951,609, for an amount not to exceed \$3,987,300.
9. In early 2009, the Developer also secured a Second Affordable Housing Program award, and HUD Amendment Funds, which allowed the Project to proceed with the HUD Initial Closing process. Unfortunately, the Developer was unable to secure additional funding from various sources such as solar, energy efficiency, and land recycling rebates that were no longer available due to the State's economic downturn.
10. In June 2009, construction began on Octavia Court. Soon thereafter the Project encountered various unforeseen circumstances (i.e., buried structures, contaminated soils, etc.), which ultimately added time and the need for additional funding for the Project.
11. The Citywide Affordable Housing Loan Committee recommended approval of the requested increased grant amount at its May 7, 2010 meeting.
12. The Second Amendment to the Regulatory and Grant Agreement ("Second Amendment") with Octavia Court, Inc. would allow for a change in the grant amount but would not change the development activities to be conducted under the agreement. This action is an Agency administrative activity that is not a Project, as defined by the California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(5). The Second Amendment will not independently result in a physical change in the environment and is not subject to environmental review under CEQA.

## RESOLUTION

**ACCORDINGLY, IT IS RESOLVED** by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to enter into a Second Amendment to the Regulatory and Grant Agreement with Octavia Court, Inc., a California nonprofit public benefit corporation, to increase the grant in an amount not to exceed \$660,351, for a total aggregate amount not to exceed \$4,647,651, for the development of 15 units of very low-income rental housing for persons with developmental disabilities on Central Freeway Parcel Q, southwest corner of Octavia Street and Oak Street, substantially in the form lodged with the Agency General Counsel; Citywide Tax Increment Housing Program.

**APPROVED AS TO FORM:**

  
James B. Morales  
Agency General Counsel