

RESOLUTION NO. 41-2011

Adopted March 29, 2011

EXPRESSING THE INTENT OF THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO TO ISSUE MULTIFAMILY MORTGAGE REVENUE BONDS IN ONE OR MORE SERIES IN AN AMOUNT NOT TO EXCEED \$50,000,000 TO FINANCE THE CONSTRUCTION OF RESIDENTIAL FACILITIES LOCATED AT 1180 FOURTH STREET AT PARCEL 13 EAST; MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA; AGENCY CITYWIDE AFFORDABLE HOUSING PROGRAM

BASIS FOR RESOLUTION

1. The Redevelopment Agency of the City and County of San Francisco (the “Agency”) is a public body organized and existing pursuant to California Health and Safety Code Section 33000, *et seq.* (the “Redevelopment Law”), and is authorized by Chapter 8, beginning at California Health and Safety Code Section 33750, of the Redevelopment Law to finance residential construction and to issue mortgage revenue bonds to pay the cost of financing such residential construction.
2. On November 2, 1998, by Ordinance No. 335-98, the Board of Supervisors of the City and County of San Francisco adopted the Mission Bay South Redevelopment Project Area in order to undertake a variety of projects and activities to alleviate blighting conditions.
3. It is the mission of Mercy Housing California XLIV, a California limited partnership (“Mercy” or the “Developer”), to provide safe, decent and affordable rental and ownership housing in the Bay Area and Southern California.
4. The Mission Bay South Redevelopment Plan provides for the redevelopment, construction and revitalization of the area generally bounded by the China Basin Channel, Seventh and Mariposa Streets, and the San Francisco Bay and containing approximately two hundred thirty-eight (238) acres of land. The Mission Bay South Redevelopment Plan anticipates and describes a mixed-use development comprised of public open space, retail, commercial, entertainment uses, and parking and loading uses.
5. The Mission Bay South Owner Participation Agreement between the Agency and FOCIL-MB, LLC (the “Master Developer”) provides that the Master Developer will contribute land to the Agency, at no cost, for the development of affordable housing and the Agency will oversee the development of up to one thousand four hundred forty-five (1,445) affordable housing units including units located at 1180 Fourth Street at Parcel 13 East (the “Site”).

6. On April 17, 2008, the Agency issued a Housing Development Request for Qualifications (the "RFQ") for the development and management of up to one hundred thirty-four (134) units of low- and moderate-income rental housing at the Site. The RFQ stated that up to twenty percent (20%) of the units would be set aside for formerly homeless households. Agency staff made extensive outreach efforts to attract submittals from qualified developers by the June 19, 2008 deadline. The RFQ set forth specific submission requirements to be met in order to be fully reviewed by Agency staff. The RFQ also set forth that the Agency would seek to enter into an exclusive negotiations agreement for development rights on the Site.
7. At its meeting on December 2, 2008, the Agency Commission authorized the Agency Executive Director to negotiate and execute a Predevelopment Loan Agreement ("Predevelopment Loan") for predevelopment activities and an Exclusive Negotiations Agreement with the Developer to enable the Developer to pursue predevelopment activities for the construction and management of up to one hundred thirty-four (134) units of affordable, rental, family housing (the "Project"). As a result, the Project will set aside up to twenty percent (20%) of the units for formerly homeless households. In April, 2009, the Borrower and the Mayor's Office of Housing jointly submitted an application to the State of California Department of Housing and Community Development ("HCD") for Transit Oriented Development Housing Program ("TOD") funds for the Project. Prior to submitting the application, it was determined beneficial to increase the size of the Project to one hundred fifty (150) units. In June, 2009, HCD awarded the Project Seventeen Million Dollars (\$17,000,000). Of that amount, Twelve Million Three Hundred Thousand Dollars (\$12,300,000) will be used for construction of the affordable housing at the Site; this award from HCD will leverage Agency funding for the Project. The remaining Four Million Seven Hundred Thousand Dollars (\$4,700,000) of the TOD award will be used for offsite infrastructure directly benefitting the Project.
8. Concurrently herewith, the Agency Commission has authorized the following with Mercy: (1) a sixty-five (65) year ground lease for the Site for the development of the Project; and, (2) a Loan Agreement which increases the loan to Six Million Three Hundred Thousand and Sixty-Four Dollars (\$6,300,064) for predevelopment activities and Thirty-Two Million Eight Hundred Thirty-One Thousand Three Hundred and Seventy-Eight Dollars (\$32,831,378) for construction Activities (the "Loan"), for a combined total not to exceed Thirty-Nine Million One Hundred Thirty-One Thousand Four Hundred and Forty-Two Dollars (\$39,131,442).
9. The Agency now wishes to issue and sell its mortgage revenue bonds pursuant to the Redevelopment Law in an amount not to exceed Fifty Million Dollars (\$50,000,000) to finance a portion of the costs of construction of the Project.
10. United States Treasury Regulations Section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, one of which is a requirement that

(with certain exceptions), prior to the payment of any such expenditure, the issuer declares an intention to reimburse such expenditure.

11. The Developer has incurred and expects to incur certain expenditures in connection with the Project.
12. The Agency and the Developer wish to ensure compliance with United States Treasury Regulations Section 1.150-2.
13. It is in the public interest and for the public benefit that the Agency declares its official intention, within the meaning of United States Treasury Regulations Section 1.150-2, to reimburse expenditures for the Project with the proceeds of the issuance of bonds.
14. The issuance of the bonds on a tax-exempt basis will require an allocation from the California Debt Limit Allocation Committee after application from the Agency in accordance with the application process and competitive award of such allocation (including payment of application fees and posting of a performance deposit in an amount up to 1% of the principal amount of the requested amount of bond allocation).
15. The final terms and conditions of the bond issuance will be determined by agreement between the Agency and the Developer, or its assignee.
16. This action is an Agency administrative activity that will not independently result in a physical change in the environment and is not subject to environmental review under the California Environmental Quality Act ("CEQA"), pursuant to CEQA Guidelines Section 15378(b)(5).

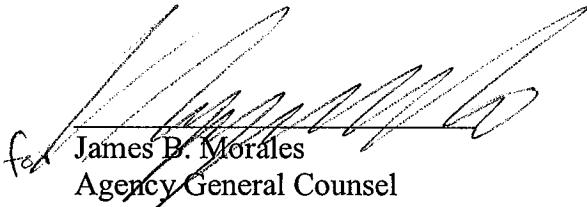
RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that, subject to negotiation of an agreement with the Developer to the satisfaction of the Agency of financing and other Project-related terms and conditions:

1. The Agency expresses its official intent to issue mortgage revenue bonds or notes in one or more series in an amount not to exceed Fifty Million Dollars (\$50,000,000) to provide financing (including reimbursement of amounts previously expended as provided in United States Treasury Regulations Section 1.150-2) to the Developer, or its assignee, for the Project in the form of construction and/or permanent loans.
2. The Agency hereby declares that it reasonably expects (i) to pay certain costs of the Project prior to the date of issuance of bonds and (ii) to use a portion of the proceeds of the bonds for reimbursement of expenditures for the costs of the Project that are paid before the date of issuance of the bonds and not otherwise paid from the proceeds of such bonds heretofore issued.

3. The final terms and conditions of the bond issuance will be determined by agreement between the Agency and the Developer. If the parties are not successful in reaching an agreement, the Agency will negotiate the terms and conditions with an alternate developer designated by the Agency.
4. This expression of intent does not give the Developer any claim or rights against the Agency or any entitlement to the financing described above. The failure of the Agency to provide such financing, for any reason whatsoever or for no reason, shall not create any liability of the Agency to the Developer. Nevertheless, the Agency acknowledges that the possible availability of financing from the Agency is an inducement to the Developer to undertake the Project in the manner described by the Agency.
5. The Executive Director, Treasurer, Secretary and Assistant Secretaries, Agency General Counsel, Deputy General Counsels, and other officers and/or the officers of any entity that becomes a successor to the Agency are authorized to execute and deliver any and all documents and to take any and all other actions necessary to consummate the transactions described in this Resolution; including making an application to the California Debt Limit Allocation Committee, paying application fees and posting any required performance deposit; and the execution and delivery of any such document, fee or deposit shall be conclusive evidence of its approval.

APPROVED AS TO FORM:


James B. Morales
Agency General Counsel