

RESOLUTION NO. 50-2011

Adopted April 19, 2011

AUTHORIZING A TAX INCREMENT LOAN AGREEMENT WITH 474 NATOMA LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, IN AN AMOUNT NOT TO EXCEED \$12,870,713, FOR A TOTAL AGGREGATE AMOUNT NOT TO EXCEED \$15,470,713, FOR THE DEVELOPMENT OF APPROXIMATELY 60 UNITS OF LOW-INCOME RENTAL HOUSING, 474 NATOMA STREET; SOUTH OF MARKET REDEVELOPMENT PROJECT AREA; CITYWIDE TAX INCREMENT HOUSING PROGRAM

BASIS FOR RESOLUTION

1. In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*), the Redevelopment Agency of the City and County of San Francisco (“Agency”) undertakes programs for the reconstruction and rehabilitation of blighted areas in the City and County of San Francisco.
2. On December 6, 2005, the Board of Supervisors of the City and County of San Francisco authorized an amendment to the South of Market Redevelopment Plan (“Plan”), which prioritizes the development of housing affordable to low- and moderate-income households.
3. The South of Market Project Area Committee (“PAC”), which advises the Agency on all matters pertaining to the Plan, recommends the type of housing to be built in the South of Market Redevelopment Project Area.
4. On December 22, 2006, the Agency issued a Request for Proposals (“RFP”) for the development of 474 Natoma Street, seeking teams capable of developing affordable homeownership family housing at 474 Natoma Street (“Project”). The RFP set forth specific qualifications and criteria for selection, including previous development experience, developer staff capacity, architectural design, financial feasibility, and proposed number of units. A summary of the RFP was provided to the Agency Commission in an informational memorandum dated December 19, 2006.
5. The Agency received two submittals, of which the proposal from BRIDGE Housing Corporation, a California nonprofit public benefit corporation (“BRIDGE”), was unanimously selected by the interdisciplinary evaluation panel (“Evaluation Panel”), which included one PAC member.
6. On May 1, 2007, by Resolution No. 37-2007, the Agency Commission authorized staff to apply for, and if awarded, to accept, up to \$5 million in Residential Development Loan Program (“RDLP”) funds from the California Housing Finance Agency (“CalHFA”). Subsequently, the Agency was awarded RDLP funds.

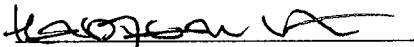
7. On May 21, 2007, the PAC endorsed the Evaluation Panel's unanimous recommendation of BRIDGE as the selected developer.
8. BRIDGE has subsequently formed 474 Natoma LLC, a California limited liability company, of which it is the sole member ("Borrower").
9. At its meeting of August 3, 2007, the Mayor's Citywide Affordable Housing Loan Committee recommended approval of a predevelopment loan agreement in the amount of \$2,600,000 ("Predevelopment Loan"), with a portion of the RDLP funds to be used to fund the predevelopment loan amount.
10. At its meeting of August 21, 2007, the Agency Commission authorized an Exclusive Negotiations Agreement ("ENA") for an 18-month period with one six-month option, which option was exercised per the ENA on March 31, 2009 and approved the Predevelopment Loan.
11. On December 22, 2008, the Agency received notice from CalHFA that "effective immediately", funding of the RDLP was suspended indefinitely; the suspension of funding delayed the Project's scheduled progress. On July 29, 2009, the Agency learned that the Governor had signed AB 26 which requires the taking of \$2.05 billion from local redevelopment agencies; this unanticipated loss of funding further delayed the Project's scheduled progress.
12. On October 6, 2009, the Agency Commission amended the ENA and extended it for an additional 12 months. On September 21, 2010, the Executive Director extended the ENA for an additional 6-month period, as permitted under the amended ENA.
13. The market for for-sale housing in San Francisco has declined in the past 24 months, while the demand for affordable family rental housing has increased to unprecedented numbers. Accordingly, BRIDGE has submitted a revised predevelopment budget to allow for a thorough examination of the Project's design and tenure type, based on market concerns.
14. By Resolution No. 154-2010, on December 14, 2010, the Agency Commission authorized the Agency Executive Director to repay the CalHFA Loan in total for an amount of \$4.6 million and execute a Second Amendment to the Predevelopment Loan with the Borrower to modify the predevelopment budget to evaluate the Project's design and tenure type, based on market concerns. Based on this evaluation, Borrower is proposing to develop 60 units of affordable rental housing at the Project site.
15. The Borrower has requested that the Agency enter into a Tax Increment Loan Agreement ("Tax Increment Loan Agreement") for an additional amount of \$12,870,713, for a total aggregate amount not to exceed \$15,470,713, for the development of 60 units of affordable rental housing at the Project site.

16. On February 17, 2009, the Agency adopted a policy stating that the Agency shall use, to the greatest extent feasible, any tax increment authorized by the Western Addition A-2 Redevelopment Plan, as amended by Ordinance No. 316-08, to fulfill its obligation to provide replacement housing, as defined in Sections 33333.7 (SB 2113) and 33333.8 of the California Health and Safety Code, in the former Western Addition Redevelopment Project Area A-2 ("WA-A2 Project Area"). The Agency has completed its funding of affordable housing projects in the former WA-A2 Project Area, leaving a balance of SB 2113 tax increment from the WA-A2 Project Area that can be spent on affordable housing projects not located in the WA-A2 Project Area. Therefore, the Agency intends to use a portion of the remaining funds from the WA-A2 Project Area to support the Project.
17. In Resolution No. 154-2010, adopted by the Agency Commission on December 14, 2010, the Commission made a determination that the 474 Natoma Project was exempt from environmental review as an infill development project pursuant to California Environmental Quality Act Guidelines Section 15332. The Tax Increment Loan Agreement is an action in furtherance of the Project that will not independently result in a significant impact on 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 enter into a Tax Increment Loan Agreement with 474 Natoma LLC, a California limited liability company, in an amount not to exceed \$12,870,713, for a total aggregate amount not to exceed \$15,470,713, for the development of approximately 60 units of low-income rental housing at 474 Natoma Street, substantially in the form lodged with the Agency General Counsel; South of Market Redevelopment Project Area; Citywide Tax Increment Housing Program.

APPROVED AS TO FORM:


← James B. Morales
Agency General Counsel