

RESOLUTION NO. 63-2011

Adopted June 7, 2011

AUTHORIZING AN AMENDED AND RESTATED DEPOSITORY AGREEMENT IN THE AMOUNT OF \$940,000 WITH MISSION HOUSING DEVELOPMENT CORPORATION, A CALIFORNIA PUBLIC BENEFIT CORPORATION AND THE MAYOR'S OFFICE OF HOUSING IN CONJUNCTION WITH THE ACQUISITION AND REHABILITATION OF 63 VERY LOW INCOME RENTAL UNITS, MARIPOSA GARDENS, TO IDENTIFY PROJECTS TO BE REHABILITATED AND TO PERMIT THE USE OF FUNDS FOR ADMINISTRATION; 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 "Law"), the Redevelopment Agency of the City and County of San Francisco (the "Agency") undertakes programs for the reconstruction and rehabilitation of slums and blighted areas in the City and County of San Francisco (the "City").
2. The Agency is authorized pursuant to the Law to increase and maintain the affordability of the housing stock in the City for affordability by very-low, low and moderate-income households.
3. The expiration of project-based Section 8 contracts poses a serious threat to San Francisco's affordable housing stock. The Agency desires to preserve developments with Section 8 contracts as affordable housing by lending or expending Tax Increment Housing Funds, an action that benefits the goals and objectives of the Agency's redevelopment project areas.
4. The Mariposa Gardens Apartments is a 63-unit residential property (the "Development") located at 2445 Mariposa Street in San Francisco (the "Site").
5. On November 19, 2002, the Commission approved a loan to 480 Valencia Inc., a California nonprofit public benefit corporation ("480 Valencia"), with Mission Housing Development Corporation, a California nonprofit public benefit corporation, as its general partner, in the amount of \$4,000,000 (the "Agency Loan"), to purchase the limited partner interests in the property from PMG-Inc., a Texas Corporation and PMG Housing Partners 1982-VII, a California limited partnership (the "Partnership"), to preserve the Development's affordability for very low-income families through the acquisition and rehabilitation of the Development.

6. On June 6, 2003, 480 Valencia Inc. successfully purchased the Partnership's interests in the Development.
7. In July 2003, the Developer secured a 9% tax credit allocation from the California Tax Credit Allocation Committee.
8. In February 2004, the Developer requested that the Agency accept a transfer of the land under the improvements, valued at \$4.48 million, in full repayment of the Agency Loan. The Agency then entered into a ground lease with the Developer, owner of the improvements, and the Developer will prepaid approximately \$627,000 in land rent. The ground lease is for a term of 99 years.
9. The Developer requested in February 2004 that the Agency execute a guarantee of the revenue that will come from the Section 8 Contract for the development for years 11 through 20. This guarantee, a Standby Payment Agreement, gives the Agency the flexibility to satisfy the Developer's loan obligation to Citibank either through a prepayment of or payment of the debt service on the second mortgage.
10. In a letter dated February 24, 2004, Agency staff discussed the Standby Payment Agreement and the closing of the Citibank loan, and \$940,000 was identified as "Excess Proceeds" from the acquisition of Mariposa Gardens that could not be used by the Initial Partnership or the New Partnership without reducing the eligible tax credit basis, and therefore the Excess Proceeds had to be distributed. The Excess Proceeds were set aside in a depository account held by Citibank for the benefit of MHDC. In a letter dated March 1, 2004, Agency staff provided authorization to Citibank to release the funds to the Agency or its designee to repay certain affordable housing loans. Citibank, however, released the funds directly to MHDC under its sole control without the Agency's knowledge or consent, and the funds have remained with MHDC since then.
11. In a letter dated December 2, 2008, MHDC petitioned the Agency to allow use of the Excess Proceeds funds to rehabilitate certain MHDC affordable housing developments and the remainder of the money, \$317,000 to be used at its discretion for additional rehabilitation needs. On May 12, 2008 a tri-party Depository Agreement was executed by the Agency, MHDC and the Mayor's Office of Housing ("MOH"). The Agreement states that \$623,000 would be used for the rehabilitation of three MHDC properties and the remaining balance of \$317,000, the use of which was not specifically earmarked in the Agreement, would be determined at a later date by mutual agreement and by amending the original Depository Agreement.
12. After discussions among MHDC, the Agency and MOH, it was decided that the Agreement be amended to allow MHDC greater flexibility for the use of the money not earmarked in the original Agreement. The parties decided that an Amended and Restated Depository Agreement be created to identify two funds within the Agreement: \$490,000 for "Working Capital" and \$450,000 for "Administrative


Capital.” In the Amended Agreement the Working Capital funds are designated for the rehabilitation of three MHDC affordable housing projects, and the balance of \$450,000 of Administrative Capital funds may be used by MHDC for planning and administrative activities that comply with the requirements of the California Community Redevelopment Law, as amended from time to time, for the Low and Moderate Income Housing Fund. California Health & Safety Code § 33334.3 (e) (eligible administrative costs “are directly related to” increasing, improving, or preserving the supply of low and moderate-income housing).

13. The use of funds for Working Capital is for rehab of existing facilities, including the rehab of the Apollo Hotel, located at 420 Valencia Street, Hotel Madrid, located at 22 South Park Avenue, and Hotel Parkview, located at 102 South Park Avenue. These activities would not cause an adverse significant physical change in the environment and are not subject to environmental review pursuant to California Environmental Quality Act (“CEQA”) Guidelines Sections 15301(a) and 15301(d). The use of funds for Administrative Capital is for administrative and planning activities that would not directly cause any physical change in the environment and are not subject to environmental review pursuant to CEQA Guidelines Sections 15061(b)(3) and 15262.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to execute an Amended and Restated Depository Agreement in the amount of \$940,000 with Mission Housing Development Corporation, a California public benefit corporation and the Mayor's Office of Housing in conjunction with the acquisition and rehabilitation of 63 very low income rental units, Mariposa Gardens, to identify projects to be rehabilitated and to permit the use of funds for administration; Citywide Tax Increment Housing Program.

APPROVED AS TO FORM:


James B. Morales
Agency General Counsel