

Commission on Community Investment and Infrastructure

RESOLUTION NO. 42-2013

**Adopted September 3, 2013**

AUTHORIZING AN AMENDED AND RESTATED LOAN AGREEMENT WITH BAYVIEW SUPPORTIVE HOUSING, LLC, A LIMITED LIABILITY COMPANY (CONSISTING OF BAYVIEW HUNTERS POINT MULTIPURPOSE SENIOR SERVICES, INC. AND MCCORMACK BARON SALAZAR, INC., A MISSOURI CORPORATION), IN A TOTAL AMOUNT NOT TO EXCEED \$19,111,224 AND AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A GROUND LEASE OPTION AGREEMENT WITH BAYVIEW SUPPORTIVE HOUSING, LLC, BOTH FOR THE DEVELOPMENT OF 120 VERY LOW-INCOME SENIOR RENTAL HOUSING UNITS PLUS ONE MANAGER'S UNIT AT 1751 CARROLL AVENUE (FORMERLY KNOWN AS 5800 THIRD STREET, LOT 3) (ASSESSOR'S BLOCK 5431A, LOT 042)

WHEREAS, In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 et seq. the "CRL"), the former San Francisco Redevelopment Agency (the "Agency") undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco; and,

WHEREAS, In accordance with the CRL, the City, acting through its Board of Supervisors, approved a Redevelopment Plan for the Bayview Hunters Point Redevelopment Project Area (the "Project Area") by Ordinance No. 113-06, adopted on May 16, 2006. In cooperation with the City, OCII is responsible for implementing the Bayview Hunters Point Redevelopment Plan (the "Redevelopment Plan"); and,

WHEREAS, Bayview Supportive Housing, LLC, a limited liability company ("Developer or Borrower") is requesting \$19,111,224, and to enter into a Ground Lease Option Agreement in connection with the development of 120 very low-income senior rental housing units (plus one manager's unit) and a ground floor senior center (the "Project"), at 1751 Carroll Avenue (formerly known as 5800 Third Street, Lot 3) (Assessor's Block 5431A, Lot 042) (the "Site"). Of the 120 units, 23 will be occupied by formerly chronically homeless seniors who will be referred from the Department of Public Health – Direct Access to Housing Program; and,

WHEREAS, It is the Developer's intent to serve the needs of the seniors of the Bayview Hunters Point community, by developing affordable housing and ancillary uses in the neighborhood; and,

WHEREAS, The 5800 Third Street housing has been identified by the Developer, and approved by U.S. Department of Housing and Urban Development ("HUD"), as the first phase of off-site housing for qualified Alice Griffith public housing residents, under the \$30.5 million Choice Neighborhoods Implementation Grant ("CNI Grant") award to Alice Griffith public housing/Eastern Bayview neighborhood. As the first phase of the Alice Griffith revitalization, the Project will prioritize Alice Griffith residents who want to live in a senior housing environment. Meanwhile all public housing units will be replaced on-site at Alice Griffith. This

Project will be an added option for seniors living at Alice Griffith now who are interested in senior housing and may need better access to senior services.

WHEREAS, On September 21, 2010, the Agency Commission authorized an Assignment and Assumption Agreement with Bayview Hunters Point Multipurpose Senior Services, Inc., (“BHPMSS”), to purchase the and to pay for related closing costs for an amount not to exceed \$8,800,000 for the development of the Project; and,

WHEREAS, The Agency and Borrower entered into a Tax Increment Loan Agreement dated January 18, 2011 (the "Loan Agreement"), pursuant to which Agency agreed to provide Borrower with a predevelopment loan in an amount not to exceed \$684,000 (the "Loan") to pay predevelopment expenses associated with the development of the Project.. The Loan was evidenced by a Promissory Note dated January 18, 2011 (the "Note"); and,

WHEREAS, The Loan was amended on October 1, 2012, to reflect an additional funding amount, approved on June 15, 2012, by the Citywide Affordable Housing Loan Committee (“Loan Committee”), in an amount not to exceed \$3,253,500, for an aggregate amount of \$3,937,500 through the Mayor’s Office of Housing and Community Development (“MOHCD”) as the understanding at that time was that all funds from SFRA’s Low and Moderate Income Housing Fund (“LMIHF”) were transferred to MOHCD upon SFRA’s dissolution on February 1, 2012. Subsequently the State Department of Finance invalidated the transfer of the Agency’s funds to MOHCD, and required that the funds be returned to OCII as the Successor Agency. Due to this change in how the Low Moderate Income Housing Funds should be treated, MOHCD’s predevelopment loan (“MOHCD Loan”), is now incorporated into this loan request, and the MOHCD Promissory Note has been cancelled ; and

WHEREAS, The Loan Committee reviewed staff’s evaluation of the request for funding at its meeting on August 2, 2013, and recommended funding in an amount not to exceed \$16,062,500, for an aggregate total of \$20,000,000 in OCII Low Moderate Income Housing Funds (the “Funds”) subject to certain terms and conditions. As a condition of that approval, Loan Committee directed the Developer to revise certain financing assumptions, with the goal of lowering OCII’s funding commitment. Specifically, Loan Committee requested that the Developer work with the private lenders and tax credit investor to reduce the Debt Coverage Ratio (“DCR”). A high DCR results in the Project having more cash flow over and above the amount needed to service its debt. Because most other costs are fixed, this is typically achieved by a lower debt service payment, which means less private investment in the Project, and a higher contribution from public sources. MOHCD staff and leadership and the Developer worked with both the lender and the tax credit investor to reduce the DCR from 1.30 to 1.20 percent, and the pay-in equity from the Low Income Housing Tax Credits increased from \$1.09 to \$1.11. This resulted in an additional \$1,030,000 in these private sources to the Project. In order to facilitate this increased investment, MBS agreed to guarantee the private debt if the Section 8 income drops below a certain amount; and,

WHEREAS, The general contractor, Nibbi Brothers General Contractors, refined their cost estimate for the housing and build-out of the senior center based on more detailed construction documents, which resulted in an increase of the gap amount for which BHPMSS would need to fundraise for construction of the senior center. While the Developer assumed that the most cost effective way to fund the build out of the Senior Center was to use the New Markets Tax Credit program (“NMTC”) (which provides funding for non-residential projects in low income areas), now the Developer determined that the NMTC credit program would not be the most efficient tool to build out the Senior Center due to program requirements and additional soft costs. Therefore the Developer has proposed funding the Senior Center directly with funds from the private mortgage and from the Low Income Housing Tax Credit Equity. This structure reduced the OCII loan amount, and therefore the Developer is requesting a total of \$19,111,224 in OCII funding, which is a savings of \$888,776 from the \$20,000,000 amount approved by Loan Committee; and ,

WHEREAS, The Developer is now requesting authorization to enter into a Ground Lease Option Agreement in preparation for submitting funding applications to the California Debt Limit Allocation Committee (“CDLAC”) and the Tax Credit Allocation Committee (“TCAC”) by September 13, 2013, which will demonstrate site control per the requirements of these funding sources; and,

WHEREAS, Pursuant to the State redevelopment dissolution law known as AB X1 26, which was subsequently amended under AB 1484 (together, the “Redevelopment Dissolution Law”), the former Agency was dissolved as of February 1, 2012; and,

WHEREAS, On October 2, 2012 the San Francisco Board of Supervisors, acting as legislative body of the Successor Agency, passed Ordinance 215-12, which outlined the rights and responsibilities of OCII as the Agency’s successor agency, including but not limited to the retained existing enforceable obligations for the development of affordable housing required for the Project Area. Accordingly, under Ordinance 215-12 and the Redevelopment Dissolution Law, OCII has the obligation and authority to provide the Funds for the Project; and,

WHEREAS, Under Resolution No. 4-2013 (Feb. 25, 2013) adopted by the Oversight Board of the City and County of San Francisco and approved by the Department of Finance, the expenditure of \$20,000,000 for this Loan was approved as part of the Recognized Obligation Payment Schedule 13-14A; and,

WHEREAS, For purposes of implementation and to ensure consistency with the City’s overall affordable housing goals and priorities, OCII has engaged the Mayor’s Office of Housing and Community Development (MOHCD) to provide project management, loan underwriting, construction monitoring and design review, including approving and processing loan disbursements. Upon completion of the Project, OCII intends to transfer the affordable housing loan obligation, asset, and ground lease to MOHCD as the designated Successor Housing Agency of the City and County of San Francisco under Board Resolution 11-12, as required by Dissolution Law; and,

WHEREAS, On September 1, 2005, the Planning Commission adopted a Final Mitigated Negative Declaration (“FMND”) for the proposed Project. The FMND describes the proposed Project, assesses the potential environmental impacts of the Project, and identifies mitigation measures to preclude significant impacts or reduce such impacts to less than significant levels. The Planning Commission also approved a Conditional Use Application and the Mitigation Monitoring Program that attaches the mitigation measures contained in the FMND to the Conditional Use Authorization. On October 12, 2012, an Addendum to the FMND, was prepared and certified to reflect the Project, and the incorporation of streetscape and pedestrian improvements along the northern portion of the site and Carroll Avenue. On October 25, 2012, the Planning Commission found the FMND and the Addendum to FMND were adequate, accurate and objective, reflected the independent analysis and judgment of the Planning Department and the Planning Commission, and is in compliance with the California Environmental Quality Act (“CEQA”). The Loan Agreement will provide funding for the development of the Project, and staff has reviewed the Loan and finds it to be within the scope of the project analyzed in the FMND (per CEQA) and addenda and no additional environmental review is needed; and,

WHEREAS, A copy of the Loan Agreement and Ground Lease Option Agreement are on file with the Secretary of this Commission; now, therefore, be it

RESOLVED, That the Commission on Community Investment and Infrastructure authorizes the Executive Director to execute a Loan Agreement substantially in the form of the agreements on file with the Secretary of the Commission and approved as to form by the City Attorney, with Bayview Supportive Housing, LLC, a limited liability company, in an amount not to exceed \$19,111,224, for construction costs associated with the Project, to make expenditures consistent with Redevelopment Dissolution Law, and to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction; and, be it further

RESOLVED, That the Commission on Community Investment and Infrastructure authorizes the Executive Director to execute a Ground Lease Option Agreement, substantially in the form of the agreements on file with the Secretary of the Commission and approved as to form by the City Attorney, for a term of nine months, for the development of 120 very low-income senior rental housing units (plus one manager’s unit) and a ground floor senior at 1751 Carroll Avenue (formerly known as 5800 Third Street, Lot 3) (Assessor's Block 5431A, Lot 042), and to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of September 3, 2013.

  
Commission Secretary