RESOLUTION NO. 247-2000
(ADOPTED DECEMBER 5, 2000)

AUTHORIZING THE EXECUTIVE DIRECTOR TO: 1) DISPOSE OF THE AGENCY’S INTEREST IN THE LAND AT 240 JONES STREET THROUGH A GROUND LEASE WITH MERCY PROPERTIES CALIFORNIA ("MPC"), A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION; 2) ASSIGN THE AGENCY’S RIGHT TO PURCHASE THE IMPROVEMENTS AT 240 JONES STREET TO MPC; AND 3) AUTHORIZE A TAX INCREMENT LOAN AGREEMENT NOT TO EXCEED $3,004,333 WITH MPC, TO PRESERVE AND REHABILITATE THE MARLTON MANOR AT 240 JONES STREET, 151 UNITS OF VERY LOW INCOME HOUSING; ALL AS PART OF THE AGENCY’S HOUSING PRESERVATION 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 which benefits the goals and objectives of the Agency’s redevelopment project areas.

4. The Alexander Residence is a 151-unit residential property (the “Development”) located at 240 Jones Street, San Francisco, California (the “Site”) (jointly the “Residence”). The Development’s owner has indicated its intent to prepay the HUD-insured mortgage and the Development is therefore at risk of conversion to market rate housing.

5. On June 27, 2000 the Commission authorized the Agency to enter into a purchase agreement to acquire the Residence (the “Purchase Agreement”) with the intention of assigning such agreement in part and conveying the improvements to a nonprofit organization for operation and renovation of the Development along with a leasehold interest in the Site.

6. On August 7, 2000, the Agency issued a Request for Qualification (“RFQ”) for housing developers to assume the Purchase Agreement and complete the
acquisition and renovation of the Development. On October 31, 2000, the Agency Commission authorized exclusive negotiations with Mercy Properties California and A.F. Evans Company, with the condition of reaching a joint venture agreement with Agape Outreach Center (collectively the “Development Team”).

7. The tenants at Marlton Manor have been working with the Development Team, regarding the acquisition, ownership and operation of the housing units at the Site for the benefit of very-low and low income residents.

8. The Development Team has requested that the Commission approve a 50-year ground lease agreement with Mercy Properties California for the Site (the “Ground Lease”), the assignment of the right to purchase the Improvements, and an interim acquisition and predevelopment loan in an amount not to exceed $4,711,475 to complete the purchase of the improvements and to prepare for funding applications. The Agency will retain ownership of the Site to insure long-term affordability of the Development and will lease the Site to the Developer. The Ground Lease will be for an initial period of 50 years with an annual rent of $260,000 of which $15,000 represents a Base Rent and $245,000 is a contingent rent. The Ground Lease will be automatically renewed at the end of the first 50 years for an additional 49 year term, provided the Improvements continue to be used as affordable housing.

9. On November 17, 2000, the Citywide Housing Loan Committee reviewed the requested actions and recommends Commission approval of such actions.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO that the Executive Director and other officers of the Agency are authorized to enter into the following agreements and obligations in substantially the form lodged with Agency General Counsel:

1. A Ground Lease Agreement with Mercy Properties California, a California nonprofit public benefit corporation, as to the Agency’s interest in the land at 240 Jones Street.

2. An Assignment Agreement with the Mercy Properties California, a California nonprofit public benefit corporation, or its assignee as approved by the Agency, which assigns the rights to purchase the improvements located on the real property.
3. A Tax Increment Loan Agreement with Mercy Properties California, a California nonprofit public benefit corporation, in an amount not to exceed $3,004,333, to be used, among other uses, to acquire and plan the renovation of the improvements on the Site.

4. Any and all ancillary documents necessary to carry out the transactions authorized by this Resolution.

APPROVED AS TO FORM:

[Signature]
BERTHA A. ONTIVEROS
Agency General Counsel