RESOLUTION NO. 214-2001

Adopted December 4, 2001

AUTHORIZING A REVISED STANDBY PAYMENT AGREEMENT WITH MERCY PROPERTIES CALIFORNIA, A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION, AND THE MARLTON MANOR PERMANENT LENDER IN CONJUNCTION WITH THE ACQUISITION AND REHABILITATION OF 151 SRO UNITS OF VERY LOW INCOME HOUSING AT THE MARLTON MANOR, 240 JONES STREET, THAT INCREASES THE AGENCY’S CONTINGENT STANDBY PAYMENT OBLIGATION FROM AN AMOUNT NO MORE THAN THREE MILLION DOLLARS ($3,000,000) TO AN AMOUNT NO MORE THAN FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS ($4,500,000); THE AGENCY’S HOUSING PRESERVATION PROGRAM AND CITYWIDE TAX INCREMENT HOUSING PROGRAM

BASIS FOR RESOLUTION

1. The Agency is authorized, pursuant to the California Community Redevelopment Law (Health and Safety Code, Section 33000, et seq.), and desires to distribute money from its Low and Moderate Income Housing Fund for the specific and special purpose of increasing and maintaining the housing stock in the City and County of San Francisco affordable to very low, low, and moderate income households.

2. To facilitate Mercy Properties California’s (sometimes “Sponsor”) purchase and rehabilitation of the Marlton Manor improvements, 151 units of low-income housing located at 240 Jones Street, San Francisco (the “Project”), the Agency and Sponsor executed an interim Tax Increment Affordable Housing Program Loan Agreement (“Agreement”) and 99-year Ground Lease (with Agency as Landlord and Sponsor as Tenant) in December 2000.

3. The Sponsor presented an updated financing plan for the Project’s acquisition, rehabilitation and operation to the Commission on June 5, 2001, which included tax credit investor equity, Sponsor equity, gap financing from the Agency, and conventional mortgage financing in the form of an “A” loan (debt underwritten with tenant rents) and a “B” loan (debt underwritten with Project Based Section 8 rental subsidies [Section 8] from the U.S. Department of Housing and Urban Development).

4. The approvals requested of the Agency on June 5, 2001 also included authorization for a Standby Payment Agreement of up to Three Million Dollars ($3,000,000) to guarantee the fifteen-year “B” loan, a permanent lender
requirement due to the fact that Congress appropriates funding for Section 8 annually. The guarantee will be triggered in the event that Congress does not appropriate funding for Section 8 at any point during the life of the loan and there is a loss of Section 8 income.

5. By Resolution No. 98-2001, the Commission approved the Sponsor’s June 5 requests, including a Standby Payment Agreement of up to Three Million Dollars ($3,000,000).

6. The Borrower proceeded diligently with its predevelopment work and secured permanent financing for the Project rehabilitation and operation, including 9% Low Income Housing Tax Credits, conventional mortgage financing, and a significant Mark-Up-To-Market Housing Assistance Payment Contract rental subsidy increase.

7. The increase in the Project’s Section 8 income allowed a shift of the source of the Project’s conventional debt servicing from tenant rents plus Section 8 to Section 8 only. This shift allowed the Sponsor to enhance its services and operations budgets, rescind its request for Agency gap financing, budget for a prepaid land rent payment to the Agency, and increase its projected annual land rent payments to the Agency, creating overall benefit for both the Marlton Manor tenants and the Agency.

8. Hence, the Agency is now asked to authorize a Standby Payment Agreement, which increases the Agency’s contingent standby payment obligation from an amount not to exceed Three Million Dollars ($3,000,000) to an amount not to exceed Four Million, Five Hundred Thousand Dollars ($4,500,000).

9. To address the Agency’s contingent liability created by the Standby Payment Agreement, an appropriately funded contingent liability reserve will be established from the proceeds of the Project’s prepaid land rent and increased annual land rent payments.

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 designated by the Executive Director are authorized to enter into the following agreements and obligations:

1. A Standby Payment Agreement with Mercy Properties California, a California non-profit public benefit corporation, and the Marlton Manor permanent lender in an amount not to exceed $4,500,000, to guarantee a 15-year loan underwritten with Section 8 rental subsidies in conjunction with the acquisition and rehabilitation of 151 SRO units of very low income housing at the Marlton Manor, 240 Jones Street in substantially the form lodged with Agency General Counsel.
2. Any and all ancillary documents necessary to carry out the transactions authorized by this Resolution in a form to be approved by the Agency General Counsel.

APPROVED AS TO FORM:

[Signature]
BERTHA A. ONTIVEROS
Agency General Counsel