

RESOLUTION NO. 35-2002

Adopted February 26, 2002

AUTHORIZING AN EXPENDITURE IN AN AMOUNT NOT TO EXCEED \$1,305,000 TO REPAY CALIFORNIA FEDERAL BANK, A FEDERAL SAVINGS BANK, AND TO PAY OPERATING DEFICITS IN CONJUNCTION WITH THE OPERATION OF 54 UNITS OF VERY LOW-INCOME RENTAL HOUSING FOR THE FORMERLY HOMELESS AT THE JORDAN APARTMENTS, LOCATED AT 820 O'FARRELL STREET; AGENCY CITYWIDE TAX INCREMENT AFFORDABLE HOUSING PROGRAM

BASIS FOR RESOLUTION

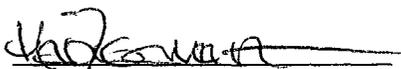
1. The Redevelopment Agency of the City and County of San Francisco ("Agency") has established a Citywide Tax Increment Affordable Housing Program ("Program") to assist in the acquisition and rehabilitation of housing for low- and very low-income tenants.
2. The Agency previously provided a grant of \$1,161,181 (the "Grant") and entered into a Regulatory and Grant Agreement dated May 12, 1993 (the "Grant Agreement"), with Housing for Independent People, a California nonprofit public benefit corporation ("HIP"), which provided funds for the acquisition, rehabilitation and operation of 55 units of very low income housing for the formerly homeless and one manager's unit at the Jordan Apartments (the "Project"), located at 820 O'Farrell Street ("the Property").
3. Concurrently with the Grant Agreement, the Agency also provided a loan in the amount of \$261,493 ("the Loan") to HIP for the Project. HIP's obligations to perform under the Grant and to repay the Loan are secured by a Deed of Trust dated May 12, 1993 ("DOT") duly recorded in the Official Records of the City and County of San Francisco ("the City").
4. HIP assigned its interest in the Grant Agreement, the Loan and the DOT to 820 O'Farrell, Inc., a California nonprofit public benefit corporation, a single purpose entity controlled by HIP, to own and operate the Project, pursuant to an Assignment and Assumption Agreement, dated June 24, 1994 duly recorded in the Official Records of the City.
5. HIP filed bankruptcy in December 1995 due to financial difficulties. Since 820 O'Farrell Inc. was a controlled corporation and HIP appoints its board members, HIP's bankruptcy affected the ability and desire of 820 O'Farrell Inc. to own and operate the Project.

6. Shortly thereafter the Agency discovered that the owner of record at the time, 820 O'Farrell Inc., was not in good standing with the California Secretary of State and that they refused to cooperate with the Agency to move towards transferring the Property to a qualified owner/operator; and defaulted under the Grant Agreement.
7. The Agency then foreclosed on the Property pursuant to the DOT, and took title to the Property on October 15, 2001.
8. John Stewart Company ("the Property Manager") is currently managing the Property until it can be conveyed to a new qualified owner/operator to be approved by the Agency.
9. The Property Manager has been overseeing the operations of the building including payment of bills. The Agency has issued several Requests for Proposals to identify a new owner/operator, but it has been difficult finding a new applicant of satisfactory creditworthiness and expertise.
10. The Project currently operates at a substantial deficit and the Agency desires to stabilize the Project and mitigate the financial constraints impacting operations. As part of the efforts to stabilize the Project, the Agency desires to payoff the first mortgage held by California Federal Bank in the amount of approximately \$935,000.
11. The Agency's authorization to expend funds in a total aggregate amount not to exceed \$1,305,000 will protect the Agency's secured interest and preserve the housing for very low income residents by paying off the first mortgage in the amount of \$935,000 and covering the current maintenance cost of utilities, insurance and property management services in the amount of \$370,000.
12. Agency staff recommends that the Commission approve this expenditure of funds.

RESOLUTION

ACCORDINGLY, IT RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to expend a total aggregate amount not to exceed \$1,305,000 including the expenditure of \$935,000 to pay the balance of the first mortgage held by California Federal Bank, a federal savings bank, and the expenditure of \$370,000 to cover the current maintenance cost of utilities, insurance and property management services, to protect the Agency's ownership interest in the Jordan Apartments located at 820 O'Farrell Street, as part of the Agency's Citywide Tax Increment Affordable Housing Program.

APPROVED AS TO FORM:



del
Bertha A. Ontiveros
Agency General Counsel