

RESOLUTION NO. 46-2002

Adopted March 12, 2002

AUTHORIZING A FIRST AMENDMENT TO THE TAX INCREMENT LOAN AGREEMENT WITH THE TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION, A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION, TO APPROVE ASSIGNMENT TO MM PRESERVATION L.P., A CALIFORNIA LIMITED PARTNERSHIP, AS THE BORROWER AND TO INCREASE THE LOAN BY \$1,452,401, FOR A TOTAL LOAN AMOUNT NOT TO EXCEED \$2,861,274, PERTAINING TO THE REHABILITATION OF 119 UNITS OF VERY LOW INCOME RENTAL HOUSING AT MARIA MANOR, 174 ELLIS STREET, AS PART OF THE AGENCY'S AFFORDABLE HOUSING PRESERVATION PROGRAM; 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 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 distribute monies to nonprofit developers and sponsors for the specific and special purpose of increasing and maintaining the housing stock in the City for 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. Maria Manor is a 119-unit residential property, whose owner had indicated its intent to prepay the HUD-insured mortgage and such property was therefore at risk of conversion to market rate housing.
5. On June 27, 2000, by Resolution 116-2000, the Agency approved the acquisition of the property known as Maria Manor (the "Project"), on the real property located at 174 Ellis Street (the "Site"), the execution of a Purchase and Sale Agreement, an Option and Assignment Agreement, a Tax Increment Loan Agreement not to exceed \$1,555,873 with Tenderloin Neighborhood Development Corporation, a California non-profit public benefit corporation ("Sponsor") and a Standby Payment Guarantee not to exceed \$1,807,319 with MM Preservation, L.P., a California limited partnership, whose general partner is the Sponsor (sometimes "the Partnership").
6. The Agency also acquired the land portion of the property and executed a long term Ground Lease with the Partnership.

7. On December 7, 2000, the Agency and the Sponsor executed a Tax Increment Affordable Housing Program Loan Agreement (sometimes "Tax Increment Loan Agreement"), pursuant to which the Agency loaned the Sponsor \$1,408,873 to enable the Partnership's acquisition and rehabilitation of the Project. The Agency also executed a Standby Payment Agreement whereby if the Partnership defaults on repayment of the principal and interest on the Series B Bonds and such default is a result of the termination of Section 8 rental assistance payments, then the Agency will advance funds to pay outstanding Series B Bonds to avoid such a default.
8. The Sponsor and the Partnership proceeded diligently with predevelopment work and secured additional permanent financing for the Project rehabilitation and operation, including 4% Low Income Housing Tax Credits, Tax Exempt Bond Mortgage financing, Tax Credit Equity, and a Mark-Up-to-Market Housing Assistance Payment Contract rental subsidy increase.
9. As a result of the expedited predevelopment process and complexity of the work and phasing, rehabilitation costs have increased since the June 2000 approval. Additionally, the Series A bond mortgage has decreased due to a reduction in net operating income. The Sponsor has mitigated the funding shortfall to the extent possible by increasing the Series B bond mortgage, increasing Owner and Partnership Equity and by securing a \$585,000 AHP loan from the Federal Home Loan Bank. The Sponsor has also applied for a second increase to the Mark-Up-to-Market Housing Assistance Payment Contract Rental Subsidy from HUD, which, if accepted, would reduce or possibly eliminate the need for the Agency Loan. However, to address the current outstanding funding shortfall, the Sponsor is requesting an increase to its Tax Increment Affordable Housing Program Loan from \$1,408,873 to \$2,861,274, a net increase of \$1,452,401.
10. In addition, the Sponsor has also assigned its right to the Tax Increment Loan Agreement to the Partnership and has asked the Agency to also amend such Loan Agreement to substitute the Partnership as the borrower.

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 a First Amendment to the Tax Increment Loan Agreement with Tenderloin Neighborhood Development Corporation, a California non-profit public benefit corporation, to authorize the assignment to MM Preservation L.P., a California limited partnership, as the borrower and to increase the loan amount by \$1,452,401, for a total loan amount not to exceed \$2,861,274, in conjunction with the renovation of 119 units of very low income rental housing at Maria Manor, located at 174 Ellis Street, substantially in the form lodged with Agency General Counsel.

APPROVED AS TO FORM:



Bertha A. Ontiveros
Agency General Counsel