

RESOLUTION NO. 47-2002

Adopted March 12, 2002

AUTHORIZING A FIRST AMENDMENT TO THE STANDBY PAYMENT AGREEMENT WITH MM PRESERVATION, L.P., A CALIFORNIA LIMITED PARTNERSHIP, TO INCREASE THE AGENCY'S CONTINGENT STANDBY PAYMENT OBLIGATION BY \$359,867 TO A TOTAL AGGREGATE CONTINGENT OBLIGATION NOT TO EXCEED \$2,247,186 PLUS RELATED COSTS, FOR THE PRESERVATION OF 119 UNITS OF VERY LOW INCOME RENTAL HOUSING AT MARIA MANOR, 174 ELLIS STREET, AS PART OF THE AGENCY'S 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 No. 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"), a Purchase and Sale Agreement, an Option and Assignment Agreement, a Tax Increment Loan Agreement not to exceed \$1,555,873 ") and a Standby Payment Guarantee not to exceed \$1,807,319 with the Tenderloin Neighborhood Development Corporation, a California non-profit public benefit corporation ("Sponsor").
6. On December 7, 2000, by Resolution No. 215-2000, the Agency authorized execution of a Ground Lease for the Site with MM Preservation L.P., a California limited partnership

("Borrower") whose general partner is the Sponsor. On that same date, by Resolution No. 215-2000, the Agency also authorized the issuance of housing revenue bonds in an aggregate principal amount not to exceed \$8,026,627 to assist the Borrower. The Agency also executed a Standby Payment Agreement whereby the Agency agreed to advance funds to Borrower to pay outstanding Series B Bonds to avoid Borrower's inability to repay the principal and interest on the Series B Bonds if Section 8 rental assistance payments are terminated.

7. The Sponsor and Borrower 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.
8. As a result of the expedited predevelopment process and complexity of the rehabilitation scope and phasing, costs for the Development have increased since the June 2000 approval. Additionally, the Series A bond mortgage has decreased due to a reduction in net operating income and the Series A bond mortgage has increased due to receipt of a Mark up to Market rental subsidy increase from HUD of the Section 8 rents. This increase in the Series B Bond Mortgage requires an increase in the maximum amount of funds guaranteed by the Agency in the Agency Standby Payment Agreement. Accordingly, the Sponsor and Borrower have requested a First Amendment to the Agency Standby Payment Agreement to increase the amount of bonds guaranteed from a principal amount not to exceed \$1,807,319 to a principal amount not to exceed \$2,247,186, plus related costs.

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 Agency Standby Note Payment Obligation Agreement, with MM Preservation, L.P., a California limited partnership, to increase the guarantee amount of principal guaranteed by \$359,867 to a total aggregate amount not to exceed repayment of \$2,247,186 in principal plus related costs, for the preservation of 119 units of very low income rental housing at Maria Manor, 174 Ellis Street, and to revise Attachment A, "Section 8 Increment" substantially in the form lodged with Agency General Counsel.

APPROVED AS TO FORM:



for Bertha A. Ontiveros
Agency General Counsel