

RESOLUTION NO. 122-2002

Adopted June 25, 2002

AUTHORIZING A FIRST AMENDMENT TO A TAX INCREMENT LOAN AGREEMENT WITH MERCY HOUSING CALIFORNIA XXII, A CALIFORNIA LIMITED PARTNERSHIP, IN AN AMOUNT NOT TO EXCEED \$5,302,754 PLUS ANY ACCRUED INTEREST, MODIFYING THE TERMS OF REPAYMENT, FOR THE ACQUISITION AND REHABILITATION OF 75 VERY LOW AND LOW-INCOME RENTAL UNITS AT THE DUDLEY APARTMENTS, 172 SIXTH STREET; SOUTH OF MARKET EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. California Redevelopment Law (Health and Safety Code, Section 33000, *et seq.*) (the "Law"), requires a Redevelopment Agency to set aside 20% of its tax increment funds for purposes of developing affordable housing.
2. The Redevelopment Agency of the City and County of San Francisco (the "Agency") administers the tax increment funds for affordable housing projects.
3. In January 2002, Mercy Properties California, a California nonprofit public benefit corporation (the "Sponsor"), acquired the Dudley Apartments at 172 Sixth Street (the "Property") using a Tax Increment Loan ("Tax Increment Loan") of \$6,702,754 from the Agency for the purpose of creating 75 very low and low income rental units in the Agency's South of Market Earthquake Recovery Redevelopment Project Area ("Project Area").
4. The Agency will execute an option to acquire the land portion of the Property for \$1.4 million (the "Land Costs") through a reduction of the Loan amount from \$6,702,754 to \$5,302,754.
5. After deducting the Land Costs the remaining Tax Increment Loan consists of a permanent loan (\$811,520) and a bridge loan (\$4,491,234) for an aggregate total of \$5,302,754. After not being able to secure permanent funding for the Property through the State's Multifamily Housing Program ("MHP") and Affordable Housing Program, the Sponsor is now pursuing 9% Low Income Housing Tax Credits. Because the Tax Credits funding will be less than MHP funds, the Sponsor requests that the permanent loan increase to \$1,951,190 and the bridge loan decrease to \$3,351,564 for the same total aggregate amount of \$5,302,754 ("Loan Amount Adjustment").
6. The Sponsor established Mercy Housing California XXII, a California Limited Partnership ("Developer"), to act as the tax credit limited partnership for the purposes of acquiring, rehabilitating, and operating the Dudley Apartments as 75

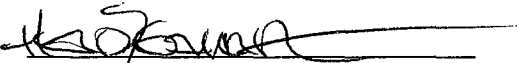
units of affordable housing for very low-income persons (the "Project"). Mercy Properties, Inc., a Colorado non-profit public benefit corporation, will act as the partnership's managing general partner.

7. The Sponsor is now requesting the Loan Amount Adjustment increasing the permanent loan to \$1,951,190 and the bridge loan to \$3,351,564, for the same total aggregate amount of \$5,302,754 through the First Amendment to Tax Increment Loan Agreement (the "First Amendment").
8. At the time of maturity of the bridge loan and payment of the bridge loan by the Sponsor, all interest accrued and unpaid thereon shall be added to the accrued interest on the permanent loan and shall be due and payable in accordance with the payment provisions of the permanent loan.
9. The Citywide Affordable Housing Loan Committee approved the First Amendment to the Tax Increment Loan for the Project on June 7, 2002 and recommends Commission approval as well.
10. The Agency now desires to execute the First Amendment for the Project.

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 Mercy Housing California XXII, a California limited partnership, in an amount not to exceed \$5,302,754, for the acquisition, predevelopment, and rehabilitation of 75 very low and low income rental units at the Dudley Apartments, 172 Sixth Street, in the South of Market Earthquake Recovery Redevelopment Project Area, substantially in the form lodged with the Agency General Counsel.

APPROVED AS TO FORM:


Bertha A. Ontiveros
Agency General Counsel