

## RESOLUTION NO. 216-2002

Adopted December 10, 2002

**AUTHORIZING A FINANCIAL ADJUSTMENT FACTOR CAPITAL LOAN AGREEMENT WITH MERCY HOUSING XVII, L.P., A CALIFORNIA LIMITED PARTNERSHIP, IN AN AMOUNT NOT TO EXCEED \$1,066,000 FOR THE ACQUISITION AND REHABILITATION OF 68 VERY LOW INCOME RENTAL UNITS AND APPROXIMATELY 6,400 SQUARE FEET OF GROUND FLOOR COMMERCIAL SPACE AT THE DEREK SILVA COMMUNITY, 1580-1598 MARKET STREET; CITYWIDE TAX INCREMENT AFFORDABLE HOUSING PROGRAM**

### **BASIS FOR RESOLUTION**

1. Pursuant to the HUD Appropriations Act of 1994, the HUD Appropriations Act of 1995, the Balance Down Payment Act II, and the HUD Appropriations Act of 1997, the Agency is authorized under a Refunding Agreement dated as of December 3, 1997, between the United States Department of Housing and Urban Development ("HUD") and the Agency, to administer funds (the "Financial Adjustment Factor Funds" or "FAF Funds") recaptured from the refinancing of qualified projects, as defined by Section 1012 (a) of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, as amended by the Housing and Community Development Act of 1992, enabling the Agency to implement the Plan for Use of McKinney Act Savings (the "Plan").
2. The Plan, developed by the Agency and approved by HUD, requires that the FAF Funds are used to provide housing or housing assistance for very low-income persons.
3. On December 31, 2001 Mercy Housing California XVII, a California limited partnership (the "Developer") acquired the Derek Silva Community, consisting of 61 residential units and approximately 6,400 square feet of ground floor commercial space, located at 1580-98 Market Street in San Francisco, California, and the improvements thereon (the "Property"), in part with a loan of federal Housing Opportunities for Persons With AIDS ("HOPWA") funds approved by the Commission on December 4, 2001, pursuant to Resolution Number 212-2001.
4. Catholic Charities of the Archdiocese of San Francisco ("CCASF") operated the Property as affordable supportive housing for persons

living with HIV/AIDS under a master lease from the previous owner from 1995 through the acquisition of the Property by the Developer in December 2001. The Developer will continue to operate the Property as affordable supportive housing for persons living with HIV/AIDS with CCASF providing on-site supportive services to the residents (the "Project").

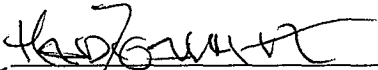
5. The Developer has secured financing to rehabilitate the Property to increase the number of residential units available to very low-income people living with HIV/AIDS from 61 to 68, and to make needed structural and electrical improvements.
6. The Commission approved a resolution expressing its intent to issue tax-exempt mortgage revenue bonds to provide permanent and construction financing for the Project on February 19, 2002, pursuant to Resolution Number 29-2002. The California Debt Limit Allocation Committee ("CDLAC") awarded the Project a bond allocation of up to \$13,300,000 in September 2002. The Developer has also secured a 4% tax credit allocation from the California Tax Credit Allocation Committee and an award from the State of California's Multifamily Housing Program ("MHP").
7. The Developer has obtained a Section 8 project-based voucher allocation from the San Francisco Housing Authority ("SFHA") for 90% of its 68 units (61 units). The projected rent levels that determine the subsidy amount for these vouchers was estimated at a significantly higher amount than was finally approved by the SFHA due to the decline in the rental housing market over the last few months. This reduction created a shortfall in the amount of funding available to rehabilitate and operate the Project.
8. The Developer has requested a loan of federal FAF Funds to rehabilitate the Property (the "Loan"), in an amount not to exceed \$1,066,000, to ensure that the rehabilitation is fully funded through the Developer's ability to fully and adequately leverage debt on the Property.
9. On November 22, 2002, the Citywide Affordable Housing Loan Committee reviewed the requested actions and recommended Agency Commission approval of such actions.
10. The Agency now desires to execute a FAF Capital Loan Agreement with the Borrower for loan funds in an amount not to exceed \$1,066,000.

#### **BASIS FOR RESOLUTION**

**ACCORDINGLY, IT IS RESOLVED** by the Redevelopment Agency of the City and County of San Francisco that the Executive

Director is authorized to enter into a Financial Adjustment Factor Capital Loan Agreement with Mercy Housing California XVII, a California limited partnership, in an amount not to exceed \$1,066,000, for the acquisition and rehabilitation of 68 units of very low income rental housing and approximately 6,400 square feet of ground floor commercial space, located at the Derek Silva Community, 1580-98 Market Street, in substantially the form lodged with Agency General Counsel.

**APPROVED AS TO FORM:**

  
Bertha A. Ontiveros  
Agency General Counsel