

RESOLUTION NO. 65-2003

Adopted April 29, 2003

AUTHORIZING A SECOND AMENDMENT TO A TAX INCREMENT LOAN AGREEMENT, IN AN AMOUNT NOT TO EXCEED \$5,302,754, MODIFYING THE TERMS OF REPAYMENT AND THE CANCELLATION OF A STANDBY PAYMENT AGREEMENT IN AN AMOUNT NOT TO EXCEED \$800,000, BOTH WITH MERCY HOUSING CALIFORNIA XXII, A CALIFORNIA LIMITED PARTNERSHIP, 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

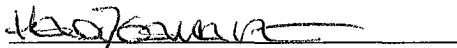
1. California Redevelopment Law (Health and Safety Code, Section 33000, *et seq.*) (the "Law"), requires a Redevelopment Agency to set aside 20% of its tax increment funds for purposes of developing affordable housing.
2. The Redevelopment Agency of the City and County of San Francisco (the "Agency") administers the tax increment funds for affordable housing projects in the City and County of San Francisco.
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 of \$6,702,754 from the Agency (the "Agency Loan") to acquire and rehabilitate the Property as 75 very low and low income rental units (the "Project") in the Agency's South of Market Earthquake Recovery Redevelopment Project Area. The Agency Loan consisted of a permanent amount of \$2,211,520 and a bridge amount of \$4,491,234.
4. The Agency subsequently acquired the land portion of the Property for \$1.4 million through a reduction of the Agency Loan amount from \$6,702,754 to \$5,302,754 (the "Adjusted Loan Amount").
5. The Sponsor, unable to secure permanent funding for the Project through the State's Multifamily Housing Program ("MHP") or the Federal Affordable Housing Program, proposed to secure 9% low-income housing tax credits ("Tax Credits"). Because the estimated Tax Credit funding was going to be less than the projected MHP funds, the Agency, on June 25, 2002, authorized a First Amendment to the Agency Loan ("First Amendment"), resulting in a permanent loan increase to \$1,951,190 and a bridge loan decrease to \$3,351,564 for the same total Adjusted Loan Amount.

6. The Sponsor established Mercy Housing California XXII, a California limited partnership (the "Developer"), to act as the tax credit limited partnership for the Project. Mercy Housing West, a California nonprofit public benefit corporation, is the Developer's managing general partner.
7. The Developer, based on final permanent financing, is now requesting a second amendment to the Agency Loan to increase the permanent loan to \$3,795,749 and decrease the bridge loan to \$1,507,005 for the same total Adjusted Loan Amount (the "Second Amendment").
8. The Developer is also now requesting the cancellation of the Standby Payment Agreement, authorized by the Agency on June 25, 2002, as the San Francisco Housing Authority established Fair Market Rents substantially below the previous year's estimate due to lower market rents. As a result, the Project's income cannot support a first mortgage of any amount; therefore, the Agency's Standby Payment Agreement, which was to be used to guarantee a first mortgage, is no longer necessary.
9. The Citywide Affordable Housing Loan Committee approved the requested Second Amendment and the cancellation of the Standby Payment Agreement on April 18, 2003 and recommends Commission approval as well.
10. The Agency now desires to execute the Second Amendment and cancel the Standby Payment Agreement 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 Second Amendment to the Tax Increment Loan Agreement in an amount not to exceed \$5,302,754, and the cancellation of the Standby Payment Agreement in an amount not to exceed \$800,000, both with Mercy Housing California XXII, a California limited partnership, 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