RESOLUTION NO. 118-2003

Adopted July 22, 2003

AUTHORIZING A FIRST AMENDMENT TO THE GROUND LEASE WITH MERCY HOUSING CALIFORNIA XVIII, L.P., A CALIFORNIA LIMITED PARTNERSHIP, TO MODIFY CERTAIN LEASE TERMS AND REVISE THE SCHEDULE OF PERFORMANCE FOR THE REHABILITATION OF 72 UNITS OF VERY LOW-INCOME SENIOR RENTAL HOUSING UNITS, AT LELAND POLK SENIOR COMMUNITY, 1301-1327 POLK STREET; CITYWIDE TAX INCREMENT AFFORDABLE 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 Redevelopment Agency of the City and County of San Francisco (the “Agency”) undertakes programs for the reconstruction and rehabilitation of blighted areas in the City and County of San Francisco (the “City”).

2. The Agency is authorized pursuant to the Law to increase and maintain the affordability of the housing stock in the City for affordability by very-low, low and moderate-income households.

3. On February 19, 2002, the Agency Commission authorized the Agency’s purchase of the land at 1301-1327 Polk Street (the “Property) and a ground lease for the Property with Mercy Housing California XVIII, L.P., a California limited partnership (“Tenant”), pursuant to Resolution Nos. 25-2002 and 26-2002, respectively. The Agency took title to the land and the Tenant took title to the improvements on February 27, 2002. Tenant financed its acquisition with a loan from the San Francisco Mayor’s Office of Housing (“MOH”) for $6,816,353, $2 million of which was permanent funding. MOH and the Agency provided their financial assistance to facilitate Tenant’s rehabilitation and operation of the Property as 72 units of affordable housing for very low-income seniors (the “Project”).

4. Between February and October 2002, Tenant completed predevelopment work for the Project that included successful funding applications for tax-exempt bond financing, 4% tax credits, project-based Section 8 rental subsidies, and an Affordable Housing Program grant. Tenant also produced rehabilitation plans that upgraded the building and converted its tourist/residential hotel rooms to permanent housing units with private baths and kitchenettes. Tenant projected that construction would commence no later than May 2003.
5. In October 2002, Tenant expanded the construction scope of work at the Property to address unforeseen structural defects discovered in the building. The increased construction scope required additional financing, revised architectural plans, and permitting changes. To cover the cost of the structural repairs, MOH increased the permanent portion of its loan to Tenant to a total aggregate amount of $3,943,257, and Tenant secured a loan from the City’s Unreinforced Masonry Building loan program.

6. Tenant has requested a first amendment to the Lease (“First Amendment”) to revise the Schedule of Performance (Attachment 3 of the Lease) to extend the completion date of several milestones affected by the increased construction scope.

7. The Agency and MOH desire to amend Section 4.03 of the Lease to reflect the increase in the value of MOH’s permanent loan to the Tenant. If the Project generates revenue beyond operating expenses (“residual receipts”) in any lease year, MOH and the Agency will share the residual receipts in sums proportionate to their investments in the Property, with residual receipts paid to MOH as repayment of its loan, and residual receipts paid to the Agency as residual ground rent.

8. The Agency further desires to clarify the language in Section 4.03 and 6.02(h) of the Lease regarding “Contingent Rent” calculations and accrued “Residual Rent.”

**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 execute a First Amendment to the Ground Lease with Mercy Housing XVIII, L.P., a California limited partnership, to modify certain lease terms and revise the schedule of performance for the rehabilitation of 72 units of very low-income senior rental housing units at Leland Polk Senior Community, 1301-1327 Polk Street as part of the Citywide Tax Increment Affordable Housing Program, substantially in the form lodged with the Agency General Counsel.

**APPROVED AS TO FORM:**

[Signature]
James B. Morales
Agency General Counsel