

RESOLUTION NO. 119-2003

Adopted July 22, 2003

AUTHORIZING A FIRST AMENDMENT TO THE GROUND LEASE WITH MERCY HOUSING XXII, L.P., A CALIFORNIA LIMITED PARTNERSHIP, TO REVISE THE SCHEDULE OF PERFORMANCE FOR THE REHABILITATION OF 75 UNITS OF VERY-LOW AND LOW-INCOME RENTAL HOUSING UNITS AT THE DUDLEY APARTMENTS, 172 SIXTH STREET; SOUTH OF MARKET EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

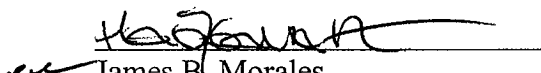
1. California Community Redevelopment Law (Health and Safety Code, Section 33000, et seq.) (the "Law"), requires a Redevelopment Agency to set aside 20% of its tax increment funds for purposes of developing affordable housing.
2. The Redevelopment Agency of the City and County of San Francisco (the "Agency") 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"), and executed a ground lease with the Sponsor (the "Ground Lease").
5. The Sponsor, unable to secure permanent funding for the Project through the State's Multifamily Housing Program ("MHP"), 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. To reflect finalized permanent financing sources, the Agency on April 29, 2003, authorized 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. On April 29, 2003, the Agency also authorized the cancellation of the Standby Payment Agreement. Because the San Francisco Housing Authority established Fair Market Rents substantially below the previous year's estimate due to lower market rents, the Project's income could not support a first mortgage of any amount; therefore, the Agency's Standby Payment Agreement, which was to be used to guarantee a first mortgage, was no longer necessary.
9. The Developer is now requesting Agency approval of a first amendment to the Ground Lease to amend the Schedule of Performance to: (1) revise the date to December 31, 2003 for securing the Certificate of Occupancy; (2) to revise the date to January 31, 2004 for reaching occupancy of 95% of the units; and, (3) to revise the date to March 31, 2004 for completion of construction (the "First Amendment").
10. The Agency now desires to execute the First Amendment to the Ground Lease for the Project to reflect the revised Schedule of Performance.

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 to revise the Schedule of Performance 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:


James B. Morales
Agency General Counsel