

RESOLUTION NO. 187-2003

Adopted December 16, 2003

AUTHORIZING A FIRST AMENDMENT TO THE FINANCIAL ADJUSTMENT FACTOR CAPITAL LOAN AGREEMENT WITH MERCY HOUSING XVII, L.P., A CALIFORNIA LIMITED PARTNERSHIP, FOR THE ACQUISITION AND REHABILITATION OF 68 VERY LOW-INCOME RENTAL UNITS AT DEREK SILVA COMMUNITY, 1580-98 MARKET STREET, SAN FRANCISCO, CALIFORNIA, TO EXTEND THE REHABILITATION COMPLETION DATE FROM DECEMBER 2003 TO JULY 2004; AGENCY CITYWIDE TAX INCREMENT AFFORDABLE HOUSING PROGRAM

BASIS FOR RESOLUTION

1. The Redevelopment Agency of the City and County of San Francisco (the "Agency") is authorized under a Refunding Agreement dated as of December 3, 1997 by and between the United States Department of Housing and Urban Development ("HUD"), and the Agency pursuant to the HUD Appropriations Act of 1994 (H.R. 2491), and the HUD Appropriations Act of 1995 (H.R. 4624), and the Balance Down Payment Act II (H.R. 3019), and the HUD Appropriations Act of 1997 (H.R. 3666) to administer funds recaptured from 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, P.L. 102-550 (the "Act") for the purpose of 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 Financial Adjustment Factor Funds (FAF) 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" or "Borrower"), 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, 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.

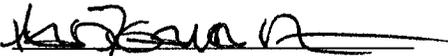
4. Catholic Charities of the Archdiocese of San Francisco (“CCASF”) operated the Property as affordable supportive housing for persons living with HIV/AIDS under a master lease from the previous owner from 1995 through the acquisition of the Property by the Developer in December 2001. The Developer will 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. Additional funding that has been secured for the rehabilitation and permanent financing of the Property includes a tax credit allocation from the California Tax Credit Allocation Committee, as well as funding 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 Borrower then requested additional funds in the amount of ONE MILLION SIXTY SIX THOUSAND AND NO/100 DOLLARS (\$1,066,000) to meet this shortfall and fully fund the rehabilitation.
9. On December 19, 2002 the following actions were completed:
 1. the execution of a loan in the amount of \$1,066,000 of federal FAF funds to rehabilitate the Property (the “Loan”), pursuant to Agency Resolution No. 214-2002;
 2. the issuance of Multifamily Housing Revenue Bonds in the amount of \$11,650,000, pursuant to Agency Resolution No. 215-2002;
 3. the transfer of the land portion of the Property to the Agency as repayment of the HOPWA Loan, and the execution of a Ground Lease to lease the land back to the Borrower, pursuant to Agency Resolution No. 216-2002; and

4. the execution of a Standby Payment Agreement to guarantee the payment of the Multifamily Housing Revenue Bonds in an amount not to exceed \$5,440,000, pursuant to Agency Resolution No. 216-2002.
10. Since that time there have been several unanticipated delays in the development and construction process, including delayed final approval by HUD to start construction, which was required in order to receive the Section 8 project based voucher allocation, several unforeseen conditions that were identified once rehabilitation had begun, and a relocation process that was slightly longer than anticipated due to the difficulty in finding comparable units for those tenants who were being relocated.
11. The Agency now desires to execute a First Amendment to the FAF Capital Loan Agreement with the Borrower to extend the rehabilitation completion date from December 2003 to July 2004.

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 First Amendment to the Financial Adjustment Factor Capital Loan Agreement with Mercy Housing California XVII, a California limited partnership, for the acquisition and rehabilitation of 68 very low-income rental units at Derek Silva Community, 1580-98 Market Street, San Francisco, California, to extend the rehabilitation completion date from December 2003 to July 2004, substantially in the form lodged with the Agency General Counsel.

APPROVED AS TO FORM:


James B. Morales
Agency General Counsel