RESOLUTION NO. 2-2005

Adopted January 18, 2005

AUTHORIZING A FIRST AMENDMENT TO THE TAX INCREMENT GRANT AGREEMENT WITH MERCY HOUSING CALIFORNIA, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION, TO REVISE THE SCHEDULE OF PERFORMANCE FOR THE DEVELOPMENT OF APPROXIMATELY 103 VERY LOW INCOME SENIOR RENTAL UNITS, AND ONE MANAGER’S UNIT, AT 9TH AND JESSIE STREETS, BLOCK 3508, LOTS 51, 26 AND 27; MID-MARKET REDEVELOPMENT SURVEY AREA

BASIS FOR RESOLUTION

1. The Redevelopment Agency of the City and County of San Francisco (the “Agency”) is authorized pursuant to California Community Redevelopment Law (Health and Safety Code, Section 33000 et seq.), and desires to distribute monies from its Tax Increment Affordable Housing Fund to nonprofit developers and sponsors for the specific and special purpose of increasing and maintaining the housing stock in the City and County of San Francisco for very low, low, and moderate income households.

2. Mercy Housing California, a California nonprofit public benefit corporation (“Developer”), intends to develop the underutilized real property located at 9th and Jessie Streets, Block 3508, Lot 51, San Francisco, California (the “Site”) in the Mid-Market Redevelopment Survey Area (the “Survey Area”). Mercy Housing California XIV, a California Limited Partnership (“MHC XIV” or the “Partnership”) is an affiliate of the Developer, which together with Mercy Housing, Inc., a Nebraska not-for-profit corporation, has entered into a ground lease with an option to purchase the Site (the “Ground Lease”) with the current owner of the Site, VILO Properties, Inc., a California corporation, and Victor Honig and Lorraine Honig, as Trustees of the Honig 1986 Family Trust (collectively, the “Owner”). Under the Ground Lease, MHC XIV is the holder of the option to purchase the Site. The Ground Lease requires MHC XIV to provide the Owner with 12 months notice of intention to purchase the Site. Such notice was given on March 17, 2004.

3. On March 16, 2004, the Agency Commission approved a grant in an amount not to exceed THREE MILLION FIVE HUNDRED SEVENTY-TWO THOUSAND TWO HUNDRED FOURTEEN and NO/100 DOLLARS ($3,572,214.00) (the “Grant”) to the Developer and a loan in an amount not to exceed SEVEN MILLION EIGHT HUNDRED SIXTY-FIVE THOUSAND NINE HUNDRED FIFTY-FIVE and NO/100 DOLLARS ($7,865,955.00) to the Partnership under the Tax Increment Affordable Housing Fund (the “Loan”), for the holding costs
and acquisition of the Site, and predevelopment activities related to the
development of senior and family affordable housing projects on the Site.

4. The Grant is for the acquisition, holding costs and predevelopment of 103
affordable housing units for very low-income seniors (62 years or older) who are
at or below 50 percent of Area Median Income, per the U.S. Department of
Housing and Urban Development ("HUD") Section 202 project guidelines, and
one manager’s unit on a portion of the Site (the “Senior Project”). The Loan is
for the acquisition, holding and predevelopment of affordable family housing on
the remaining portion of the Site (the “Family Project”, which together with the
Senior Project is the “Project”). MHC XIV is the recipient of the Loan, because
the projected financing for the Family Project includes Low Income Housing Tax
Credits, which can only be allocated to a limited partnership. The Developer is
the recipient of the Grant for the affordable senior housing.

5. Two actions were required to reconfigure the existing parcels to conform to
parcels appropriate for the Project: (1) apply to the San Francisco Department of
Public Works ("SFDPW") for a “Lot Unmerge” per Article 1.7 of the Subdivision
Map Act to remove portion of existing Lot 13, that is not subject to the Ground
Lease; and, (2) apply for a “Lot Line Adjustment” and “Lot Merge” with SFDPW
to move one property line (the westerly line of Lot 27) such that the combined
Lots 26 and 27 is the size necessary to accommodate the Family Project and the
remainder Lot (new Lot 51) is the size necessary to accommodate the Senior
Project.

6. The “Lot Unmerge” action was completed on July 19, 2004 and new Lots 51 and
52 were created. (Lot 51 is the portion of former Lot 13 that is to be used for the
Senior Project; Lot 52 is not now nor ever was subject to the Loan or Grant
Agreements.) The estimated completion date for the “Lot Line Adjustment” and
“Lot Merge” is April, 2006. It is anticipated that the Agency will take ownership
of the Site before construction starts and enter into two ground leases; one with
the Developer for the land that the Senior Project will be built on, and one with
MHC XIV for the land on which the Family Project will be built.

7. Developer prepared and submitted an application to HUD for funding of the
Senior Project, as required by the initial Schedule of Performance. However,
Developer’s application was not selected by HUD for funding.

8. Since the Grant and Loan were approved, the Developer has met the initial goals
for receiving entitlements from the City and County of San Francisco Planning
Department (“Planning Department”) for both the Senior Project and the Family
Project and have presented the proposed design for both projects to Agency
Architecture Staff and the Mid-Market Redevelopment Survey Area Project Area
Committee (“PAC”). The Developer has also held three community meetings.

9. Based on the design review process including Agency staff, Planning Department
staff, PAC members, and community input, the Developer has begun a redesign
of the Senior Project and the Family Project that will increase the height and open
space for both projects to better serve the residents and meet the Design Guidelines for the Survey Area. Redesign will require approval of new entitlements from the Planning Department.

10. Due to the additional time needed for the redesign process it is necessary to revise the Schedule of Performance attached to the Grant Agreement accordingly.

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 Grant and Regulatory Agreement with Mercy Housing California, a California nonprofit public benefit corporation, to revise the Schedule of Performance for the development of approximately 103 very low income senior rental units, and one manager’s unit, at 9th and Jessie Streets, Block 3508, Lots 51, 26 and 27; Mid-Market Redevelopment Survey Area, substantially in the form lodged with the Agency General Counsel.

APPROVED AS TO FORM:

[Signature]

James B. Morales
Agency General Counsel