RESOLUTION NO. 51-2005

Adopted March 15, 2005

AUTHORIZING AN OPTION TO GROUND LEASE, A MANAGEMENT AGREEMENT, AND A GROUND LEASE WITH MERCY HOUSING CALIFORNIA, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION, FOR THE PROPERTY AT 9TH AND JESSIE STREETS, BLOCK 3508, A PORTION OF LOT 51, WITHIN THE MID-MARKET REDEVELOPMENT SURVEY AREA, FOR THE DEVELOPMENT OF 104 UNITS OF VERY LOW INCOME SENIOR RENTAL UNITS; CITYWIDE TAX INCREMENT HOUSING PROGRAM

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 (the "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. Mercy Housing California XIV, a California limited partnership ("MHC XIV" or the "Partnership") 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. Developer prepared and submitted an application to HUD for funding of the
Senior Project. However, Developer’s application was not selected by HUD for
funding. The Developer will reapply for this funding at the next available
opportunity.

6. On January 18, 2005, by Resolution No. 2-2005, the Agency Commission
approved a revised Schedule of Performance for both projects to account for a
necessary redesign process.

7. The Developer has requested that the Agency take ownership of the land earlier
than originally anticipated to save the Project the cost of additional transfer and
property taxes. The Agency will enter into separate Options to Ground Lease for
the Family and Senior Projects and a Management Agreement to allow the
Developer to continue to manage the Site until the start of construction of the
Projects.

8. The Agency will enter into separate Ground Leases for the Family and Senior
Projects at the close of construction financing for each project.

9. The Agency now intends to acquire the Site, enter into separate Options to
Ground Lease and subsequent ground leases for the Senior and Family Projects,
and a Management Agreement for the entire Site, and to reduce the Loan and
Grant amounts to reflect the acquisition of the Site by the Agency.

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 an Option
to Ground Lease, a Management Agreement, and a Ground Lease with Mercy Housing
California, a California nonprofit public benefit corporation, related to the development
of approximately 103 very low income senior rental units, and one manager’s unit, at 9th
and Jessie Streets, Block 3508, a portion of Lot 51, in the Mid-Market Redevelopment
Survey Area, substantially in the form lodged with the Agency General Counsel; and
enter into any and all ancillary documents or take any additional actions necessary to
consummate the transaction.

APPROVED AS TO FORM:

James B. Morales
Agency General Counsel