AUTHORIZING AN AMENDED AND RESTATED TAX INCREMENT LOAN AGREEMENT IN AN ADDITIONAL AMOUNT NOT TO EXCEED $25,258,383, FOR A TOTAL AGGREGATE AMOUNT NOT TO EXCEED $26,824,338, AND A SECOND AMENDED AND RESTATED OPTION TO GROUND LEASE WITH MERCY HOUSING CALIFORNIA XIV, A CALIFORNIA LIMITED PARTNERSHIP, FOR THE DEVELOPMENT OF APPROXIMATELY 135 VERY LOW INCOME FAMILY RENTAL UNITS, AND ONE MANAGER’S UNIT, AT 10TH AND MISSION STREETS, BLOCK 3508, LOTS 26 AND 27; MID-MARKET REDEVELOPMENT SURVEY AREA, 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 (the “City”) for very low, low, and moderate income households.

2. Mercy Housing California, a California nonprofit public benefit corporation (“MHC”), and Mercy Housing California XIV, a California limited partnership (the “Developer”), intend to develop the underutilized real property located at 10th and Mission and 9th and Jessie Streets, Block 3508, Lots 51, 26 and 27, San Francisco, California (the “Site”) in the Mid-Market Redevelopment Survey Area. The Agency owns the Site pursuant to the assignment and assumption of a ground lease with an option to purchase the Site between the Developer, together with Mercy Housing, Inc., a Nebraska not for profit corporation, and the previous 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 “Previous Owner”).

3. On March 16, 2004, pursuant to Resolution Nos. 36-2004 and 37-2004, the Commission approved 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) under the Tax Increment Affordable Housing Fund (the “Loan”) to the Developer and 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 MHC, for the holding costs and acquisition of the Site, and predevelopment activities related to the development of a family affordable housing project on the portion of the Site (the “Family Parcel”) and a senior affordable housing project on the remaining portion of the Site (the “Senior Parcel”).

4. The Loan is for the acquisition, holding and predevelopment of 134 units of affordable family housing for very low-income families who are at or below 50 percent of Area Median Income, as determined by the City, and a manager’s unit on the Proposed 10th and Mission Family Housing Parcel (the “Project”). The Grant is for the acquisition, holding costs and predevelopment of 107 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 Section 202 project guidelines and one manager’s unit on the remaining portion of the Site (the “Senior Project”).

5. On January 18, 2005, by Resolution No. 1-2005, the Commission approved a First Amendment to the Loan Agreement with a revised Schedule of Performance to reflect a redesign process for the Project that the Developer completed with input from Agency and City Planning Department staff.

6. The Developer requested that the Agency take ownership of the Site earlier than originally anticipated, and the Agency agreed to take ownership. On March 15, 2005, by Resolution Nos. 51-2005 and 52-2005, the Commission approved the acquisition of the Site directly from the Previous Owner, Options to Ground Lease the Proposed 10th and Mission Family Housing Parcel and the Senior Project site, Ground Leases for the Family Parcel and the Senior Parcel, and a Management Agreement with MHC for management of the Site, including the Senior Project site, and a Second Amendment to the Loan Agreement reducing the Loan amount to ONE MILLION FIVE HUNDRED SIXTY-FIVE THOUSAND NINE HUNDRED FIFTY-FIVE and NO/100 DOLLARS ($1,565,955.00) and a Second Amendment to the Grant reducing the Grant amount to EIGHT HUNDRED SEVENTY-TWO THOUSAND TWO HUNDRED FOURTEEN and NO/100 DOLLARS ($872,214.00) to reflect the Agency’s acquisition of the Family Parcel and the Senior Parcel. The Agency acquired the Site on March 31, 2005.

7. The Developer has now requested an additional amount not to exceed TWENTY FIVE MILLION TWO HUNDRED FIFTY EIGHT THOUSAND THREE HUNDRED EIGHTY THREE AND NO/100 DOLLARS ($25,258,383) for the development and construction of the Family Project for a total aggregate amount not to exceed TWENTY SIX MILLION EIGHT HUNDRED TWENTY FOUR THOUSAND THREE HUNDRED THIRTY EIGHT AND NO/100 DOLLARS ($26,824,338). And the Agency wishes to increase the Loan amount as requested through an Amended and Restated Tax Increment Loan Agreement.

8. The Developer has also requested a Second Amended and Restated Option to Ground Lease for the Family Parcel to allow the Developer to exercise that option
prior to obtaining financing commitments, to ensure competitive scoring for the Project’s application to the State of California’s Multifamily Housing Program.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to: (1) enter into an Amended and Restated Tax Increment Loan Agreement for an additional amount not to exceed $25,258,383 for a total aggregate amount not to exceed $26,824,338; and (2) enter into a Second Amended and Restated Option to Ground Lease with Mercy Housing California XIV, a California limited partnership, related to the development of approximately 135 very low income family rental units at 10th and Mission Streets, Block 3508, Lots 26 and 27, 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:

[Signature]
James B. Morales
Agency General Counsel