

## **RESOLUTION NO. 13-2006**

*Adopted February 7, 2006*

**AUTHORIZING AN EXCLUSIVE NEGOTIATIONS AGREEMENT WITH MISSION HOUSING DEVELOPMENT CORPORATION, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION; THE JOHN STEWART COMPANY, A CALIFORNIA CORPORATION (“JSCO”); AND DEVINE & GONG, INCORPORATED, A CALIFORNIA CORPORATION (“DGI”) AND A FIRST AMENDMENT TO THE TAX INCREMENT LOAN AGREEMENT AND PROMISSORY NOTE TO ADD JSCO AND DGI AS BORROWERS AND REVISE THE SCHEDULE OF PERFORMANCE FOR CENTRAL FREEWAY PARCEL C FOR THE DEVELOPMENT OF 100 UNITS OF VERY LOW-INCOME SENIOR HOUSING ON CENTRAL FREEWAY PARCEL C, SOUTHWEST CORNER OF GOLDEN GATE AVENUE AND FRANKLIN STREET, LOT 13 IN ASSESSOR'S BLOCK 768, IN THE WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2; CITYWIDE HOUSING TAX INCREMENT PROGRAM**

### **BASIS FOR RESOLUTION**

1. On March 19, 2002, the Redevelopment Agency of the City and County of San Francisco (the “Agency”) and the City and County of San Francisco (the “City”) executed a Transfer of Real Estate Agreement, enabling the Agency to purchase Central Freeway Parcels A and C from the City for the purpose of developing affordable senior housing.
2. As required in the City’s Transfer Agreement, the Agency issued a Request for Proposals (“RFP”) for the construction, ownership, and operation of affordable senior housing on Parcels A and C on April 18, 2003. The RFP sought high-quality proposals from experienced developers capable of building approximately 100 units of very low- and low-income senior housing with supportive services on each of the parcels. With Parcels A and C, the Agency’s goal is to create a senior campus that provides not only housing, but supportive services, educational opportunities, and social connections for the full spectrum of seniors, from the very frail to the most active and independent.
3. On November 18, 2003, the Commission selected Mission Housing Development Corporation, a California nonprofit public benefit corporation (“MHDC”), as the most qualified developer for Parcel C and authorized an exclusive negotiations agreement (the “ENA”) with MHDC, which provided the developer with the exclusive right to pursue development activities on the site.

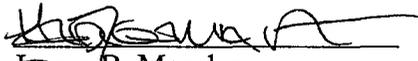
4. On February 17, 2004, the Commission authorized a predevelopment loan agreement (the "Loan Agreement") with MHDC in an amount not to exceed \$1,118,344, of which \$465,683.24 has been disbursed to date.
5. The ENA defined a series of milestones during an exclusive negotiations period that was to result in the execution of a ground lease agreement for consideration by the Commission. As permitted under the ENA, the Executive Director extended the ENA for one month to allow MHDC to meet its milestones and obligations under the ENA for Parcel C. MHDC's ENA for Parcel C expired on April 18, 2005.
6. On July 26, 2005, following Commission direction, the Executive Director issued a notice of default on the Loan Agreement with MHDC for Parcel C. Since the primary event of default was MHDC's failure to remain in exclusive negotiations, the only cure was re-entry into exclusive negotiations with the Agency by demonstrating to the full satisfaction of the Agency that MHDC had the ability to perform under a new ENA.
7. Following Commission direction, Agency staff worked with MHDC to cure its defaults. MHDC has proposed a new development team with the John Stewart Company, a California corporation ("JSCO") and Devine & Gong, Incorporated, a California corporation ("DGI") (collectively, the "Developer"). With this new development team, MHDC and JSCO will serve as co-managing general partners and DGI will serve as an additional general partner. In addition to its role as co-managing general partner, JSCO will serve as the initial property manager for Parcel C. DGI will provide a day-to-day project manager, who will report to both MHDC and JSCO. Furthermore, the development team has secured the participation of Centro Latino de San Francisco and Mission Language and Vocational School, who will work with the development team to implement the senior supportive services program at Parcel C.
8. The proposed new ENA with the Developer provides for a twelve-month exclusive negotiations period from the date of this Resolution and expiring on February 6, 2007 (the "Exclusive Negotiations Period"), with the allowance of two separate six (6) month extensions, at the sole discretion of the Executive Director, for a cumulative extension period not to exceed one year. The Developer must meet a series of milestones (the "Schedule of Performance") during the Exclusive Negotiations Period that will result in the execution of a ground lease agreement for consideration by the Commission after a public hearing, as required by law.
9. The new ENA with the Developer includes all applicable Agency policies and requirements.
10. At its January 12, 2006 meeting, the full Western Addition A-2 Citizens Advisory Committee supported re-entering into a new ENA with the Developer.

11. Given the new development team's structure for Parcel C, a First Amendment to the Loan Agreement is also requested to add JSCO and DGI as additional borrowers under the Loan Agreement and Promissory Note, and to replace the existing Schedule of Performance with the revised Schedule of Performance as attached to the new ENA with the Developer.

## **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 an Exclusive Negotiations Agreement with Mission Housing Development Corporation, a California nonprofit public benefit corporation; the John Stewart Company, a California corporation ("JSCO"), and Devine & Gong, Incorporated, a California corporation ("DGI") and to execute a First Amendment to the Loan Agreement and Promissory Note to add JSCO and DGI as borrowers and revise the Schedule of Performance, for the development of 100 units of very low-income senior housing on Central Freeway Parcel C, southwest corner of Golden Gate Avenue and Franklin Street, Lot 13 in Assessor's Block 768, in the Western Addition Redevelopment Project Area A-2, substantially in the form lodged with the Agency General Counsel; Citywide Housing Tax Increment Program.

**APPROVED AS TO FORM:**

  
James B. Morales  
Agency General Counsel