

RESOLUTION NO. 100-2006

Adopted August 1, 2006

AUTHORIZING THE EXECUTION OF A PURCHASE AND SALE AGREEMENT WITH THE JAPANESE AMERICAN RELIGIOUS FEDERATION ASSISTED LIVING FACILITY, INC., A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION ("JALFI"), FOR THE ACQUISITION OF LAND AT 1881 BUSH STREET, FOR THE APPRAISED VALUE OF \$5,000,000; AND AUTHORIZING A FIRST AMENDMENT TO THE TAX INCREMENT LOAN AGREEMENT WITH JALFI FOR THE REFINANCE OF THE KOKORO ASSISTED LIVING FACILITY; WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2

BASIS FOR RESOLUTION

1. The Redevelopment Agency of the City and County of San Francisco (the "Agency") and the Japanese American Religious Federation Assisted Living Facility, Inc., a California nonprofit public benefit corporation, (the "Developer"), are parties to a Disposition and Development Agreement ("DDA") pursuant to which Developer purchased and developed a historic building and an adjacent site, located at 1881-1899 Bush Street (the "Site") for a 54 unit assisted living facility for frail elderly persons (the "Project").
2. On October 26, 1999, by Resolution Nos. 164-99 and 165-99, the Agency Commission approved a grant in the amount of \$1,225,000, pursuant to the terms and conditions of a Grant and Regulatory Agreement and a loan in the amount of \$1,680,555, pursuant to the terms and conditions of a Tax Increment Affordable Housing Loan Agreement (the "Agency Loan") for the acquisition, rehabilitation and development of the Site.
3. On April 17, 2001, by Resolution No. 64-2001 and on March 2, 2004, by Resolution No. 30-2004, the Agency Commission approved the Developer's request for additional grant funding in the amount of \$1,381,000 and \$1,267,685, for a total aggregate grant amount of \$4,026,151. These additional funds were needed due to construction cost increases, construction delays, and additional requirements which arose during the rehabilitation of the historic building.
4. The Developer successfully completed construction of the improvements and received a Certificate of Completion from the Agency on February 25, 2005.
5. At the present time, the Project's income has been insufficient to meet both its operating expenses and the debt service on the existing mortgage with National Cooperative Bank ("NCB") insured by the United States Department of Housing and Urban Development ("HUD"). NCB and HUD have been unable to assist in a restructure of the Project's existing mortgage.

6. The Developer has requested additional assistance from the Agency in order to restructure and refinance the debt to a level supportable by the Project's revenue.
7. The Agency desires to enter into a purchase and sale agreement (the "PSA") with JALFI to repurchase the real property, less the improvements, at the appraised value of \$5,000,000. The Agency has \$5,000,000 in tax increment funds available for the repurchase. Under the terms of the PSA, the Agency would become the fee owner of the land and JALFI would continue to own the improvements.
8. The Developer will use the sale proceeds and a new loan from Union Bank of California to refinance and pay-off the existing NCB loan.
9. Concurrent with the purchase of the land, the Agency desires to ground lease the property back to JALFI for a 69 year term with a 30 year option, to operate a fully licensed assisted living facility providing 54 units (37 affordable and 17 market rate) of housing for low- and moderate-income seniors, with program and service space and dining facilities for the residential units and other ancillary uses, pursuant to the ground lease. The annual rent under the ground lease would be \$1.00 which represents the fair reuse value of the property given the use and affordability restrictions imposed by the Agency under the ground lease.
10. The ground lease is subject to approval by the San Francisco Board of Supervisors, pursuant to California Health and Safety Code Section 33434.
11. The Agency Loan is secured against title to the real property. When the Agency purchases the real property, the Agency Loan would become unsecured. Therefore, concurrent with the purchase of the land, the Agency desires to amend the Agency Loan to change the security from title to the real property to title to the improvements. The Agency will cancel the old promissory note and reconvey the old deed of trust, in exchange for a new promissory note and new deed of trust which will be secured against title to the improvements. In addition, the first amendment will make minor housekeeping changes to the Agency Loan to reflect the current structure of the transaction. However, the material terms of the Agency Loan would remain substantially the same.
12. On July 12, 2006, the Agency's purchase of the land and the proposed lease back of same to the Developer was presented to the Western Addition Citizens Advisory Committee, which unanimously approved the request.

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. execute a Purchase and Sale Agreement for the acquisition of real property, less the improvements, at 1881 Bush Street from the Japanese American Religious

Federation Assisted Living Facility, Inc., a California nonprofit public benefit corporation ("JALFI"), for the appraised value of \$5,000,000, substantially in the form lodged with the Agency General Counsel;

2. execute a first amendment to the Tax Increment Affordable Housing Loan Agreement and a new promissory note and deed of trust with JALFI to change the security for the loan from title to the real property to title to the improvements, substantially in the form lodged with the Agency General Counsel; and
3. enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

APPROVED AS TO FORM:



for James B. Morales 7/24/06
Agency General Counsel