

RESOLUTION NO. 101-2006

Adopted August 1, 2006

AUTHORIZING A GROUND LEASE WITH THE JAPANESE AMERICAN RELIGIOUS FEDERATION ASSISTED LIVING FACILITY, INC., A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION (“JALFI”), FOR A TERM OF 69 YEARS WITH A 30 YEAR OPTION, TO OPERATE 54 UNITS OF ASSISTED LIVING, INCLUDING 37 PERMANENTLY AFFORDABLE UNITS, AT 1881 BUSH STREET; WESTERN ADDITION REDEVELOPMENT PROJECT AREA A-2

BASIS FOR RESOLUTION


1. The Redevelopment Agency of the City and County of San Francisco (“Agency”) and the Japanese American Religious Federation Assisted Living Facility, Inc., a California nonprofit public benefit corporation, (“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 No. 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 (“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 ("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 of 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. On July 12, 2006, the consideration of the Agency purchase of the land portion of the Site 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 that subject to approval by the San Francisco Board of Supervisors, pursuant to California Health and Safety Code Section 33434, the Executive Director is authorized to execute a ground lease with the Japanese American Religious Federation Assisted Living Facility, Inc., a California nonprofit public benefit corporation, for a term of 69 years with a 30 year option to extend, to provide 54 units of assisted living, including 37 permanently affordable units, substantially in the form lodged with the Agency General Counsel.

APPROVED AS TO FORM:


Sr. James B. Morales 7/26/06
Agency General Counsel