

RESOLUTION NO. 127-2009

Adopted November 3, 2009

AUTHORIZING A TAX INCREMENT LOAN AGREEMENT WITH MSPDI TURK, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY AND A WHOLLY-OWNED SUBSIDIARY OF MICHAEL SIMMONS PROPERTY DEVELOPMENT, INC., A CALIFORNIA CORPORATION, IN AN AMOUNT NOT TO EXCEED \$16,072,427, FOR THE DEVELOPMENT OF 32 CONDOMINIUM UNITS FOR LOW- AND MODERATE-INCOME, FIRST-TIME HOMEBUYERS AT 1345 TURK STREET, AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; CITYWIDE TAX INCREMENT HOUSING PROGRAM

BASIS FOR RESOLUTION

1. On February 11, 2003, the Agency Commission authorized an agreement with the City and County of San Francisco ("City"), a municipal corporation, for the acquisition and disposition of the real property located on a portion of Block 756, Lot 001 at 1345 Turk Street, San Francisco, California in the Citywide Tax Increment Housing Program ("Site").
2. On April 22, 2003, the City's Board of Supervisors approved the sale of the Site (and adjoining MUNI Substation) to the Redevelopment Agency of the City and County of San Francisco ("Agency"); approved the interdepartmental transfer of jurisdiction over 1345 Turk Street from the Municipal Agency to the City's Arts Commission; and authorized the Director of Property to enter into an agreement for the sale of such real property for the development of affordable housing, arts and community uses, and other public beneficial uses.
3. On May 2, 2003, an Agreement for Sale of Real Estate was executed by and between the City as Seller and the Agency as Buyer for the sale and purchase of the Site. Escrow closed on the Site on June 9, 2003.
4. On September 1, 2006, the Agency issued a Request for Proposals ("RFP") for the development of affordable first-time homebuyer units for low- and moderate-income households. The RFP sought high-quality proposals from experienced developers capable of building approximately 32 units on the Site.
5. Three proposals were received by the October 31, 2006 submission deadline. On November 9, 2006, the Western Addition Citizens Advisory Committee approved the RFP selection process.
6. On January 12, 2007, the evaluation panel determined that the team of Michael Simmons Property Development, Inc. earned the highest cumulative score.

7. At its meeting on April 17, 2007, the Agency Commission authorized the Agency Executive Director to negotiate and execute an Exclusive Negotiations Agreement with Michael Simmons Property Development, Inc., which defined a series of milestones leading to the execution of a predevelopment loan agreement.
8. On or about May 11, 2007, Michael Simmons Property Development, Inc. created a wholly owned subsidiary named MSPDI Turk, LLC to negotiate and fulfill its obligations to enter into a Disposition and Development Agreement (“DDA”) with the Agency and to construct the Improvements on the Site. The Agency is negotiating the DDA with MSPDI Turk, LLC (“Developer”).
9. On December 18, 2007, by Resolution No. 137-2007, the Agency Commission authorized a predevelopment loan agreement with Michael Simmons Property Development, Inc. in the amount of \$1,621,351 (“Predevelopment Loan Agreement”) for certain site preparation, consultant costs, building permit fees and insurance costs critical to the construction and development of 32 units of affordable townhomes and flats for low- and moderate-income households, including common areas, parking and open space (“Project” or “Improvements”). The unit distribution shall be approximately 7 one-bedroom (22%), 17 two-bedroom (53%), and 8 three-bedroom (25%) condominiums, priced to be affordable on average to households earning 80% of area median income (“AMI”), ranging from 70% to 100% AMI. Affordability levels for all units must be approved by the Agency and will be set pursuant to limits required by selected financing sources. The Project shall be developed and used in accordance with the Predevelopment Loan Agreement.
10. The rights and obligations of Michael Simmons Property Development, Inc. under the Predevelopment Loan Agreement are hereby assumed by MSPDI Turk, LLC. The Agency consents to this assignment and assumption.
11. MSPDI Turk, LLC requested an additional Fourteen Million Four Hundred Fifty One Thousand and Seventy Six Dollars (\$14,451,076) in construction and permanent loan funds for the development of the Site for a total amount not to exceed Sixteen Million Seventy Two Thousand Four Hundred Twenty Seven Dollars (\$16,072,427). The Citywide Loan Committee reviewed the request for additional loan funds on September 4, 2009 and recommended that the Agency Commission approve the request.
12. The Developer expects to repay at least \$1,818,664 upon the sale of all units.
13. These funds are needed to cover the cost of developing 32 affordable condominium units and will be supplemented by a commercial construction loan, and subsidy financing including \$625,000 in CalReUSE soils remediation financing in addition to \$960,000 in State’s Building Equity and Growth in Neighborhoods Program mortgage assistance funds.
14. On May 18, 2004, the Agency Commission adopted Resolution No. 55-2004, adopting the Mitigated Negative Declaration (“MND”) for the 2004 Amendment of the Western Addition A-2 Redevelopment Plan (“Redevelopment Plan”),

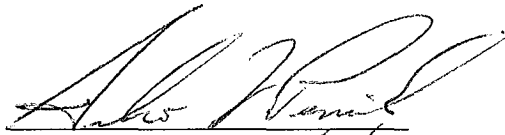
which included development of the 1345 Turk Street site. Subsequently, the Agency Commission adopted Resolution No. 35-2008 on April 15, 2008, conditionally approving the schematic design for the development of approximately 32 low- and moderate-income, first-time homeownership units at 1345 Turk Street and determining the action to be an Implementing Action of the Redevelopment Plan. In Resolution No. 35-2008, the Agency Commission also adopted findings pursuant to the California Environmental Quality Act (“CEQA”) and a Mitigation Monitoring and Reporting Program.

15. Subsequent to these Commission actions, Agency staff re-evaluated the determinations of the MND in light of minor changes to the proposed development of the Muni Substation Building at Turk and Fillmore Streets and the former Central Freeway Parcel C at Golden Gate Avenue and Franklin Street. Agency staff then completed and published an addendum to the MND (“Addendum”) on November 3, 2008. The Addendum concluded that the revisions to the proposed development of the Muni Substation Building and Central Freeway Parcel C would not result in any new or substantially more adverse significant effects or require any new mitigation measures not identified in the final MND, and that the conclusions reached in MND remained valid.
16. The MND was prepared pursuant to CEQA Guidelines Section 15070 *et. seq.* The Addendum was prepared pursuant to CEQA Guidelines Section 15164.
17. Agency staff has considered and reviewed the MND and Addendum, and has determined that the proposed tax increment loan agreement with MSPDI Turk, LLC is another Implementing Action of the Redevelopment Plan and within the scope of the development at the 1345 Turk Street site analyzed in the MND and the Addendum, consistent with State CEQA Guidelines Sections 15162 and 15164.
18. The MND, Addendum, and related documents have been and continue to be available for review by the Agency Commission and the public and are part of the record before the Agency Commission.
19. The environmental findings adopted in accordance with CEQA by the Agency Commission in Resolutions No. 55-2004 and 35-2008 were and remain adequate, accurate and objective and are incorporated herein by reference as applicable to the current Implementing Action.
20. The Agency initially intended to fund this project using SB2113 proceeds. There are insufficient SB2113 funds at this time.
21. The Agency intends to use Citywide Tax Increment Housing Program funds to construct the project, and will reimburse those funds when sufficient SB2113 funds are available.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that: (1) the Agency has reviewed and considered the Mitigated Negative Declaration and Addendum and hereby adopts the CEQA findings set forth above and in Resolutions No. 55-2004 and 35-2008 incorporated herein; and (2) the Executive Director is authorized to execute a Tax Increment Loan Agreement (and related documents) with MSPDI Turk, LLC, a California limited liability company and a wholly owned subsidiary of Michael Simmons Property Development, Inc., a California corporation, in an amount not to exceed \$16,072,427, for the development of approximately 32 units for low- and moderate-income, first-time homebuyers at 1345 Turk Street, on a portion of Block 756, Lot 001; as part of the Citywide Tax Increment Housing Program, substantially in the form lodged with the Agency General Counsel.

APPROVED AS TO FORM:



for James B. Morales 10/28/09
Agency General Counsel