

RESOLUTION NO. 133-2009

Adopted November 17, 2009

**AUTHORIZING AN AMENDED AND RESTATED TAX
INCREMENT LOAN AGREEMENT WITH TURK & EDDY
ASSOCIATES, L.P., A CALIFORNIA LIMITED PARTNERSHIP,
TO INCREASE THE LOAN AMOUNT BY \$1,706,059, FOR A
TOTAL AGGREGATE AMOUNT NOT TO EXCEED \$8,770,890,
AND TO AMEND THE LOAN REPAYMENT TERMS IN
CONJUNCTION WITH THE REHABILITATION OF 80 VERY
LOW INCOME RENTAL UNITS, PLUS TWO MANAGERS'
UNITS, LOCATED AT 249 EDDY STREET AND 161-165 TURK
STREET; AFFORDABLE HOUSING PRESERVATION
PROGRAM, CITYWIDE TAX INCREMENT HOUSING
PROGRAM**

BASIS FOR RESOLUTION

1. In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*), the Redevelopment Agency of the City and County of San Francisco ("Agency") undertakes programs for the reconstruction and rehabilitation of slums and blighted areas in the City and County of San Francisco (the "City").
2. Tenderloin Neighborhood Development Corporation ("TNDC") applied to the Agency for an acquisition loan in an amount not to exceed Seven Million Sixty-Four Thousand Eight Hundred Thirty-One Dollars (\$7,064,831) to finance the acquisition of the land and a portion of the buildings and additional expenses of the real properties located at 249 Eddy Street, Block 0339, Lot 15A, and 161-165 Turk Street, Block 0343, Lot 017 in San Francisco, California (the "Site"). The Site is comprised of two properties; 249 Eddy Street is developed with 55 studio units and 161-165 Eddy Street has 22 studio and 5 one-bedroom apartments situated in the Tenderloin neighborhood.
3. On December 5, 2006, by Resolution No. 158-2006, the Agency Commission approved the loan to TNDC in an amount not to exceed Seven Million Sixty-Four Thousand Eight Hundred Thirty-One Dollars (\$7,064,831) (the "Acquisition Loan") to finance a portion of the acquisition and additional costs associated with the purchase and development of the Site.
4. TNDC entered into a Purchase and Sale Agreement dated September 8, 2006 with Aspen Tenderloin Apartments Company, a California limited partnership, to purchase the Site. TNDC purchased the Site and holds the fee title in trust for the Agency.

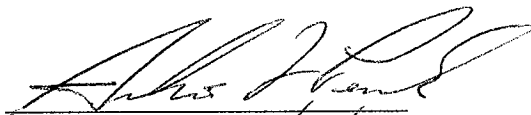
5. On or about March 25, 2009, TNDC created Turk & Eddy Associates, L.P. to: (i) assume and fulfill its obligations under the Acquisition Loan; (ii) to enter into a ground lease with the Agency; and (iii) to develop and rehabilitate the improvements on the Site. The Agency is willing to enter into this Amended and Restated Loan Agreement with Turk & Eddy Associates, L.P. as the borrower (the "Borrower").
6. At or prior to the close of Borrower's construction financing, Borrower will transfer fee title to the Site less the improvements (the "Land") to the Agency as partial payment of the loan for the credited amount of Three Million Seven Hundred Twenty-Eight Thousand Five Hundred Seventy-One Dollars (\$3,728,571). Concurrently, the Agency will execute a ground lease of the Land with Borrower as tenant and the Agency as landlord (the "Ground Lease").
7. The Borrower intends to rehabilitate a total of 80 units of affordable housing, (plus two managers' units) consisting of 55 units of studio housing at 249 Eddy Street with approximately 30,185 gross square feet and 22 studio units plus 5 one-bedroom units at 161-165 Eddy with approximately 17,400 gross square feet plus common areas, parking and open space (the "Project"). Borrower anticipates that the Project will be completed and occupied in 2011.
8. The properties have the benefit of 100% project-based U.S. Department of Housing and Urban Development Section 8 contracts that were renewed in 2007 for a 20-year term (the "HAP Contract"). The HAP Contract restricts the tenant population to very low-income senior citizens and disabled persons.
9. Due to the challenges of a constrained economy, the Borrower could not find a viable tax credit investor and is using California Tax Credit Allocation Committee American Recovery and Reinvestment Act of 2009 Section 1602 Conditional Grant Program "Section 1602" funds instead.
10. Pursuant to Resolution No. 139-2008, on December 2, 2008, the Agency Commission authorized various line-item transfers in the predevelopment budget to cover additional soft costs associated with the investigation and remediation of rehabilitation issues pertaining to the Project.
11. Although TNDC has made every attempt to anticipate the needs of the Project by forecasting a budget based on current information and assumptions, which continued to evolve with ongoing investigations, additional funds are needed for the feasibility of the Project.
12. Based on recent data, the Project requires significant seismic reinforcement through the installation of shear walls and floor-to-wall frame bracing, which changes have rippled through the Project causing the level of recommended structural work to affect many other aspects of the scope including entire banks of units triggering the replacement of carpeting, cabinets, and paint. The structural work also increases the duration and extent of relocation. Other cost increases are due to the need to mitigate the environmental impact of lead currently present in the soil.

13. To maintain the Project's feasibility, TNDC is requesting that the prior loan be restructured and the Agency to provide additional funds to pay for the increased scoped of work.
14. Upon close of the construction loan, TNDC will transfer the Land to the Agency and transfer the Project to its affiliate, Turk & Eddy Associates, L.P., a California limited partnership.
15. Borrower is requesting an additional One Million Seven Hundred Six Thousand Fifty Nine Dollars (\$1,706,059) to cover expenses associated with the seismic stabilization of the Project and a restructuring of the loan repayment.
16. The Agency believes that the redevelopment of the Site and the fulfillment generally of the loan agreement are in the vital and best interests of the City and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of the applicable State and Federal laws in the elimination of blight.
17. This Project is categorically exempt under the California Environmental Quality Act ("CEQA"), pursuant CEQA Guidelines Section 15301(d). The rehabilitation of existing structures would not independently create any significant effects on the physical environment.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to enter into an Amended and Restated Tax Increment Loan Agreement with Turk & Eddy Associates, L.P., a California limited partnership, an affiliate of Tenderloin Neighborhood Development Corporation, a California nonprofit public benefit corporation, to increase the loan amount by \$1,706,059, for a total aggregate amount not to exceed \$8,770,890, and to restructure the repayment obligation for \$2,526,342, to now be repaid with the balance of the permanent debt through residual receipts for approximately 80 very low-income rental units, plus two managers' units, located at 249 Eddy Street, Block 0339, Lot 15A, and 161-165 Turk Street, Block 0343, Lot 017, in San Francisco, California, 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:


for James B. Morales 11/12/09
Agency General Counsel