RESOLUTION NO. 91-2011

Adopted June 21, 2011

EXPRESSING THE INTENT OF THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO TO ISSUE MULTIFAMILY MORTGAGE REVENUE BONDS, IN ONE OR MORE SERIES, IN AN AMOUNT NOT TO EXCEED $20,000,000, TO FINANCE THE CONSTRUCTION OF RESIDENTIAL FACILITIES LOCATED AT 474 NATOMA STREET; SOUTH OF MARKET REDEVELOPMENT PROJECT AREA; AGENCY CITYWIDE AFFORDABLE HOUSING PROGRAM

BASIS FOR RESOLUTION

1. The Redevelopment Agency of the City and County of San Francisco (the “Agency”) is a public body organized and existing pursuant to California Health and Safety Code Section 33000, et seq., (the “Redevelopment Law”) and is authorized by Chapter 8, beginning at California Health and Safety Code Section 33750, of the Redevelopment Law to finance residential construction and to issue mortgage revenue bonds to pay the cost of financing such residential construction.

2. On December 6, 2005, the Board of Supervisors of the City and County of San Francisco authorized an amendment to the South of Market Redevelopment Plan (“Plan”), which prioritizes the development of housing affordable to low- and moderate-income households.

3. The South of Market Project Area Committee (“PAC”), which advises the Agency on all matters pertaining to the Plan, recommends the type of housing to be built in the South of Market Redevelopment Project Area.

4. On December 22, 2006, the Agency issued a Request for Proposals (“RFP”) for the development of 474 Natoma Street, seeking teams capable of developing affordable homeownership family housing at 474 Natoma Street (the “Project”). The RFP set forth specific qualifications and criteria for selection, including previous development experience, developer staff capacity, architectural design, financial feasibility, and proposed number of units. A summary of the RFP was provided to the Agency Commission in an informational memorandum dated December 19, 2006.

5. The Agency received two submittals, of which the proposal from BRIDGE Housing Corporation, a California nonprofit public benefit corporation (“BRIDGE”), was unanimously selected by the interdisciplinary evaluation panel (“Evaluation Panel”), which included one PAC member.

6. On May 1, 2007, by Resolution No. 37-2007, the Agency Commission authorized staff to apply for, and if awarded, to accept, up to $5 million in Residential Development Loan Program (“RDLP”) funds from the California Housing
Finance Agency ("CalHFA"). Subsequently, the Agency was awarded RDLP funds.

7. On May 21, 2007, the PAC endorsed the Evaluation Panel’s unanimous recommendation of BRIDGE as the selected developer.

8. BRIDGE has subsequently formed 474 Natoma LLC, a California limited liability company, of which it is the sole member ("Borrower").

9. At its meeting of August 3, 2007, the Mayor’s Citywide Affordable Housing Loan Committee recommended approval of a predevelopment loan agreement in the amount of $2,600,000 ("Predevelopment Loan"), with a portion of the RDLP funds to be used to fund the predevelopment loan amount.

10. At its meeting of August 21, 2007, the Agency Commission authorized an Exclusive Negotiations Agreement ("ENA") for an 18-month period with one six-month option, which option was exercised per the ENA on March 31, 2009 and approved the Predevelopment Loan.

11. On December 22, 2008, the Agency received notice from CalHFA that “effective immediately”, funding of the RDLP was suspended indefinitely; the suspension of funding delayed the Project’s scheduled progress. On July 29, 2009, the Agency learned that the Governor had signed AB 26 which requires the taking of $2.05 billion from local redevelopment agencies; this unanticipated loss of funding further delayed the Project’s scheduled progress.

12. On October 6, 2009, the Agency Commission amended the ENA and extended it for an additional 12 months. On September 21, 2010, the Executive Director extended the ENA for an additional 6-month period, as permitted under the amended ENA.

13. The market for for-sale housing in San Francisco has declined in the past 24 months, while the demand for affordable family rental housing has increased to unprecedented numbers. Accordingly, BRIDGE has submitted a revised predevelopment budget to allow for a thorough examination of the Project’s design and tenure type, based on market concerns.

14. By Resolution No. 154-2010, on December 14, 2010, the Agency Commission authorized the Agency Executive Director to repay the CalHFA Loan in total for an amount of $4.6 million and execute a Second Amendment to the Predevelopment Loan with the Borrower to modify the predevelopment budget to evaluate the Project’s design and tenure type, based on market concerns. Based on this evaluation, Borrower proposed to develop 60 units of affordable rental housing at the Project site.

15. At its meeting April 8, 2011, the Citywide Affordable Housing Loan Committee recommended Commission approval of a permanent loan agreement in the amount of $12,870,713, for a total aggregate amount not to exceed $15,470,713, for the development of 60 units of affordable rental housing at the Project site. ("Permanent Loan").
16. By Resolution Nos. 50-2011 and 51-2011, on April 19, 2011, the Agency Commission approved the Permanent Loan and a Ground Lease with the Borrower.

17. The Agency now wishes to issue and sell its mortgage revenue bonds pursuant to the Redevelopment Law in an amount not to exceed Twenty Million Dollars ($20,000,000) to finance a portion of the costs of construction of the Project.

18. United States Treasury Regulations Section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, one of which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer declares an intention to reimburse such expenditure.

19. The Developer has incurred and expects to incur certain expenditures in connection with the Project.

20. The Agency and the Developer wishes to ensure compliance with United States Treasury Regulations Section 1.150-2.

21. It is in the public interest and for the public benefit that the Agency declares its official intention, within the meaning of United States Treasury Regulations Section 1.150-2, to reimburse expenditures for the Project with the proceeds of the issuance of bonds.

22. The issuance of the bonds on a tax-exempt basis will require an allocation from the California Debt Limit Allocation Committee after application from the Agency in accordance with the application process and competitive award of such allocation (including payment of application fees and posting of a performance deposit in an amount up to 0.5% of the principal amount of the requested amount of bond allocation, not to exceed $100,000).

23. The final terms and conditions of the bond issuance will be determined by agreement between the Agency and the Developer, or its assignee.

24. The issuance of multifamily mortgage revenue bonds and related actions, documents, and matters will provide funding for the 474 Natoma Project and are Agency fiscal activities that are not “projects” as defined by California Environmental Quality Act (“CEQA”) Guidelines Section 15378(b)(4). These actions will not independently result in a physical change in the environment and are not subject to environmental review under CEQA. Previously, in Resolution No. 154-2010, adopted by the Agency Commission on December 14, 2010, the Commission made a determination that the 474 Natoma Project was exempt from environmental review as an infill development project pursuant to California Environmental Quality Act Guidelines Section 15332.
RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco, subject to negotiation of an agreement with the Developer to the satisfaction of the Agency of financing and other Project-related terms and conditions:

1. The Agency expresses its official intent to issue mortgage revenue bonds or notes in one or more series in an amount not to exceed Twenty Million Dollars ($20,000,000) to provide financing (including reimbursement of amounts previously expended as provided in United States Treasury Regulations Section 1.150-2) to the Developer, or its assignee, for the Project in the form of construction and/or permanent loans.

2. The Agency hereby declares that it reasonably expects (i) to pay certain costs of the Project prior to the date of issuance of bonds and (ii) to use a portion of the proceeds of the bonds for reimbursement of expenditures for the costs of the Project that are paid before the date of issuance of the bonds and not otherwise paid from the proceeds of such bonds heretofore issued.

3. The maximum principal amount of the bonds which the Agency expects to issue from which it expects to reimburse the Developer for the costs of the Project pursuant to this Resolution is Twenty Million Dollars ($20,000,000).

4. The final terms and conditions of the bond issuance will be determined by agreement between the Agency and the Developer. If the parties are not successful in reaching an agreement, the Agency will negotiate the terms and conditions with an alternate developer designated by the Agency.

5. This expression of intent does not give the Developer any claim or rights against the Agency or any entitlement to the financing described above. The failure of the Agency to provide such financing, for any reason whatsoever or for no reason, shall not create any liability of the Agency to the Developer. Nevertheless, the Agency acknowledges that the possible availability of financing from the Agency is an inducement to the Developer to undertake the Project in the manner described by the Agency.

6. The Executive Director, Deputy Executive Director, Finance and Administration, Treasurer, Secretary and Assistant Secretaries, Agency General Counsel, Deputy General Counsels, and other officers are authorized to execute and deliver any and all documents and to take any and all other actions necessary to consummate the transactions described in this Resolution; including making an application to California Debt Limit Allocation Committee, paying application fees and posting any required performance deposit, and the execution and delivery of any such document, fee or deposit shall be conclusive evidence of its approval.
7. The Agency hereby authorizes submission of an application for an allocation to the California Debt Limit Allocation Committee for a private activity bond volume cap in an amount not to exceed $20,000,000.

APPROVED AS TO FORM:

James B. Morales  
Agency General Counsel