COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 100-2014

AUTHORIZING A SECOND AMENDMENT TO THE DISBURSEMENT AGREEMENT WITH HV PARTNERS 2, LP, A CALIFORNIA LIMITED PARTNERSHIP, TO EXTEND THE OUTSIDE DATE PERMITTED FOR THE GROUND LEASE CLOSING TO DECEMBER 31, 2014 AND TO MODIFY CERTAIN PROVISIONS RELATED TO THE TAX CREDIT INVESTOR, IN CONNECTION WITH THE DEVELOPMENT OF APPROXIMATELY 107 VERY LOW- AND LOW-INCOME RENTAL UNITS PURSUANT TO THE HUNTERS VIEW PHASE II-III RENTAL HOUSING LOAN AGREEMENT, MIDDLE POINT AND WEST POINT ROADS; BAYVIEW HUNTERS POINT REDEVELOPMENT PROJECT AREA

WHEREAS, In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 et seq, the “CRL”), the former San Francisco Redevelopment Agency (the “Agency”) undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco. On February 1, 2012, state law dissolved the Agency and provided that successor agencies would assume those remaining obligations that survived dissolution. Cal. Health & Safety Code §§ 34170 et seq. (“Redevelopment Dissolution Law”); and,

WHEREAS, In accordance with the CRL, the City, acting through its Board of Supervisors (“BOS”), approved a Redevelopment Plan for the Bayview Hunters Point Redevelopment Project Area (the “Project Area”) by Ordinance No. 113-06, adopted on May 16, 2006. After the Agency’s dissolution, the Office of Community Investment and Infrastructure (“OCII”), became the Successor Agency and is responsible for implementing the Bayview Hunters Point Redevelopment Plan (the “Redevelopment Plan”) to the extent of fulfilling enforceable obligations, as defined in Cal. Health & Safety Code § 34171 (d), that were previously entered into by the Agency. On October 2, 2012 the San Francisco Board of Supervisors, acting as legislative body for the Successor Agency, passed Ordinance 215-12, which delegated its rights and responsibilities as the successor agency to OCII, including but not limited to certain retained existing enforceable obligations for the development of affordable housing; and,

WHEREAS, The Hunters View site consists of an approximately 21 acre site formerly improved with 267 public housing units located in Area B of the Bayview Hunters Point Redevelopment Project Area, generally known as 227-229 West Point Road, Lots 1 through 17 inclusive and Lots A, B, C and D, all as shown on Final Map No. 5461, Assessor’s Lots 23 through 43 inclusive, Block 4624, which is owned and operated by the San Francisco Housing Authority (the “SFHA”) and known as the Hunters View Public Housing Development (the “Site”). Hunters View Associates, L.P., a California limited partnership (the
“Master Developer”) has entered into the Master Development Agreement ("MDA") with SFHA, which provides for exclusive negotiations regarding the proposed transfer of the Site for the Project, and the parties currently anticipate that any such transfer would be partially effected from SFHA to Master Developer or its affiliates through one or more fee transfer(s) and partially effected pursuant to one or more long-term ground lease(s); and,

WHEREAS, The Master Developer is currently developing the Site through a three (3) or more phase process, by demolishing the existing public housing rental units located thereon and constructing up to 800 new mixed-income rental and affordable for-sale units, including replacement public housing rental units on a one-for-one basis (collectively, the "Project"). The first phase of the Project has been completed and includes one hundred seven (107) units, comprised of eighty (80) public housing units, twenty six (26) affordable rental and one (1) manager’s units; and,

WHEREAS, On April 19, 2011, the Agency and Master Developer entered into that certain Phase II-III Rental Tax Increment Loan Agreement (the “Loan Agreement”) pursuant to which Agency agreed to provide up to $31,406,982 to Master Developer (the “Loan”) for predevelopment and construction activities for Phases II and III of the Project. At the time of the Loan Agreement, the development and financial structure of Phases II and III of the Project were still being determined. Accordingly, Agency and Master Developer acknowledged and agreed in the Loan Agreement that: (i) Master Developer would form single asset limited partnerships with subsidiary limited liability corporations to be wholly controlled by Master Developer and/or its general partners, to act as developers of the Phase II and Phase III Project sub phases; (ii) the Loan Agreement would be amended in the future to transfer portions of the Loan to Master Developer or its single asset limited partnerships for predevelopment and construction activities for the Phase II and Phase III Project; and (iii) the future allocations of the Loan to Phase II and/or Phase III could be secured by a deed of trust against the developer’s real property interest in the Phase II or Phase III development. Agency and Master Developer agreed at the time that the future structure of such phases and the corresponding agreements would be mutually agreed upon; and,

WHEREAS, Under Resolution No. 9-2013 (September 23, 2013) adopted by the Oversight Board of the City and County of San Francisco and approved by the Department of Finance, the expenditure of $21,775,225 of the Loan was confirmed to be an “Enforceable Obligation” under the Redevelopment Dissolution Law and approved as part of the Recognized Obligation Payment Schedule 13-14B for the period of January to June 2013. The California Department of Finance provided final approval of the expenditure of Item No. 177 through its letter dated December 17, 2013; and,

WHEREAS, In February 2014, the Master Developer began the infrastructure work at Phase IIA(1) (residential rental development and infrastructure related to residential development) which followed the demolition of 54 units in preparation for
construction activity under Phase IIA. Phase IIA(1) will be located on Blocks 7 and 11 of the Site (the “Phase IIA(1) Site”) and will consist of approximately 107 units of family housing, comprised of eighty (80) public housing units, twenty six (26) affordable rental and one (1) manager’s units (the “Phase IIA(1) Project”), and requires Loan funds for Phase IIA(1) construction activities. Master Developer has created HV Partners 2, L.P. (the “Borrower”), as the entity to be the owner and ground lessee entity for Phase IIA(1) Site and anticipated entering into a long term ground lease (the “Phase IIA(1) Ground Lease”) for the Phase IIA(1) Site by no later than September 2014; and,

WHEREAS, On November 15, 2013 the Citywide Affordable Housing Loan Committee (“Loan Committee”) approved the disbursement of $21,775,220 of the Loan (the “Disbursement Amount”) to the Borrower for the development of Phase IIA. The Disbursement Amount includes $18,297,533 for predevelopment and vertical development of the residential buildings and $3,477,687 for infrastructure expenses associated with Phase IIA; and,

WHEREAS, On December 20, 2013, the Loan Committee approved the interest rate of 0.25% for the Disbursement Amount consistent with the Loan Agreement and the Phase IIA(1) and Phase IIA(2) sub-phases. Additionally, the Loan Committee approved $1,700,000, of the Disbursement Amount, to be available for disbursement prior to execution of the Phase IIA(1) Ground Lease; and,

WHEREAS, Under Resolution No. 3-2014 (January 7, 2014), the Commission authorized OCII to enter into an agreement with the Master Developer and Borrower (the “Disbursement Agreement”) to disburse the Disbursement Amount for the development of Phase IIA; and,

WHEREAS, At the time of execution of the Disbursement Agreement, Borrower anticipated entering into the Phase IIA(1) Ground Lease and recording a Memorandum thereof no later than August 31, 2014; and,

WHEREAS, While the U.S. Department of Housing and Urban Development approved the Phase IIA(1) Ground Lease in May 2014, and the SFHA and Borrower executed the Phase IIA(1) Ground Lease in June 2014, the Memorandum of Ground Lease cannot be recorded until after a Quitclaim Deed (for a portion of roadway in Phase IIA from the City and County of San Francisco to the SFHA) had been approved by the SFHA Commission and then further approved by the BOS; and,

WHEREAS, Due to delays in getting the Quitclaim Deed recorded, on August 19, 2014, the Commission authorized OCII to enter into a First Amendment to the Disbursement Agreement to: (i) extend the permitted outside date for the Phase IIA(1) Ground Lease Closing Date; and (ii) increase the amount of the Disbursement Amount available for disbursement prior to the Phase IIA(1) Ground Lease closing date to allow $1,615,300 for predevelopment expenses and $2,049,000 for horizontal infrastructure construction expenses, for a total
amount of $3,664,300, while keeping the total Disbursement Amount unchanged at $21,775,220; and,

WHEREAS, Because of further unforeseen delays in recording the Quitclaim Deed and as well as requested modifications from Borrower’s tax credit investor, Borrower now seeks approval of a Second Amendment to: (i) extend the permitted outside date for the Phase IIA(1) Ground Lease Closing Date to December 31, 2014; and (ii) modify the language in the Disbursement Agreement to: amend the Project Expenses language to explicitly detail the permitted expenses, in agreement with the Limited Partnership Agreement; include investor noticing requirements; recognize the John Stewart Company as the property manager; clarify definitions; and provide administrative clean-up edits to the Disbursement Agreement and related documents; and,

WHEREAS, Upon completion of the Phase IIA(1) Project, OCII will transfer the affordable housing asset(s) to MOHCD as required under Redevelopment Dissolution Law; and,

WHEREAS, A copy of the Second Amendment to the Disbursement Agreement is on file with the Secretary of this Commission; now, therefore, be it

RESOLVED, That the Commission on Community Investment and Infrastructure authorizes the Executive Director to execute a Second Amendment to the Disbursement Agreement substantially in the form of the agreement on file with the Secretary of the Commission and approved as to form by the City Attorney acting as counsel for OCII, with Hunters View Partners 2, L.P., to: (i) allow for an extension of the date for the closing of the Phase IIA(1) Ground Lease to December 31, 2014; and (ii) modify certain provisions related to Borrower’s tax credit investor; and authorizes the Executive Director to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of December 16, 2014.

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Commission Secretary