MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee
Executive Director

SUBJECT: Authorizing the transfer of land ownership and assignment of the ground lease and permanent loan for 474 Natoma Street (Assessor’s Parcel Number 3725, Lot 101) to the Mayor’s Office of Housing and Community Development as Successor Housing Agency

EXECUTIVE SUMMARY

On April 19, 2011, the former San Francisco Redevelopment Agency (“SFRA”) provided a $15,470,173 permanent gap loan (the “Loan Agreement”) and a long term ground lease agreement (the “Ground Lease”) to Bridge Housing Corporation (“Bridge”) to develop 60 very-low income rental housing units at 474 Natoma, an SFRA owned site (the “Site” or the “Project”). These actions were taken just prior to the state-wide dissolution of redevelopment agencies through Assembly Bill AB 26 in June of 2011 (later amended through subsequent laws including AB 1484, together the “Dissolution Law”). Since the SFRA loan was in effect prior to the passage of the Dissolution Law, the Loan Agreement and Ground Lease were considered enforceable obligations of the Successor Agency and thus the Site, Loan Agreement, and Ground Lease were all retained as housing assets of OCII. The Project has now completed construction, is currently occupied with 60 very low-income households, and is scheduled to complete all actions related to closing out the permanent financing by the end of August 2014.

Consistent with Dissolution Law, the Mayor’s Office of Housing and Community Development (“MOHCD”) has been designated by the City as the Housing Successor Agency, and OCII transferred all of its completed housing obligations and related assets to MOHCD as of February 1, 2012. Now that the obligations related to 474 Natoma have been fulfilled, OCII will transfer the Site, the Loan Agreement, and the Ground Lease to MOHCD through an approval of the Oversight Board and the California Department of Finance (“DOF”). Upon Oversight Board approval of the transfer at the meeting of September 8, 2014, staff will immediately submit that resolution to DOF for review. MOHCD will concurrently be taking the necessary actions at the Board of Supervisors in order to accept the Site’s assets.

Staff recommends authorizing the transfer of land ownership, and assignment of the ground lease, and permanent loan to the Mayor’s Office of Housing and Community Development.
BACKGROUND AND PROJECT HISTORY

Vacant for 20 years, the Site was occupied by the former Goodwill warehouse which was damaged in the 1989 Loma Prieta earthquake. The site was subsequently acquired by the former San Francisco Redevelopment Agency and in 2001 the site was part of an RFP with a developer who ultimately did not develop the project and the Site was then used as a staging area for the construction of another SFRA affordable housing project, the Plaza Apartments.

The project was then again part of an RFP process in 2006 which envisioned a for-sale affordable project at the subject property, and Bridge was selected as the developer. However, due to the 2008 financial and mortgage crisis and subsequent recession, the for-sale product became less feasible. The project was repositioned by SFRA and Bridge as family rental housing due to the high demand for affordable rental housing for families. In April 2011, the SFRA Commission approved a $15,470,173 loan to Bridge along with a long term Ground Lease. Of this amount, $14,330,000 were 2113 funds, which is 92.6% of the total OCII funding. Applying that percentage to 60 total units at the project, 56 units are are being counted as replacement housing units towards OCII Replacement Housing Obligation. Since the Loan Agreement and Ground Lease were approved prior to the implementation of the Dissolution Law, the Project continued to be an enforceable obligation of OCII after SFRA was dissolved on February 1, 2012. OCII therefore continued to disburse the loan funds and implement the Ground Lease.

Project construction was completed in December 2013, and achieved stabilized occupancy in late by March 2014. The project is 100% occupied and recently celebrated its official grand opening in July 2014. Staff expects the conversion to permanent financing to be completed by the end of August 2014, including closing the Multi-Family Housing (MHP) loan with the State of California Housing and Community Development.

TRANSFER OF HOUSING ASSETS

Pursuant to Dissolution Law, housing assets may be transferred to the designated Housing Successor Agency. OCII has already transferred over land and/or affordability restrictions relating to over a thousand completed projects to MOHCD, however OCII retained projects and sites that were not yet complete, referred to as OCII's "Retained Housing Obligations". The Site was one of the Retained Housing Obligations and remains in OCII's ownership. Now that the Project is complete, it will be transferred to MOHCD pursuant to Dissolution Law, i.e through an Oversight Board action and subsequent review by DOF.

MOHCD is also taking the necessary steps to complete the transfer. The San Francisco Board of Supervisors will be asked to hear a resolution accepting the asset and loan on behalf of the City and County of San Francisco in early Fall 2014. OCII will then record a quitclaim deed on the property affecting the final transfer of the land and loan obligation the San Francisco Mayor's Office of Housing and Community Development, as Successor Housing Agency.
Next Steps

Upon Oversight Board approval, staff will then forward the matter on to DOF for review and approval. DOF will have 5 days to review the item; if they choose not to review it, the Oversight Board action will be considered final. If DOF does review the matter, they will have an additional 40 days to render a decision.

STAFF RECOMMENDATION

Staff recommends authorizing the transfer of land ownership, and assignment of the ground lease and permanent loan to the Mayor’s Office of Housing and Community Development.

(Originated by Kevin Kitchingham, Project Manager, Mayor’s Office of Housing and Community Development)

Tiffany Bohoe
Executive Director

Attachments:
Attachment 1: Exhibit D – Form of Requisition for Subordinate Loan Fund
Attachment 2: Exhibit N – Lender Estoppel