October 22, 2014

Commissioners of the Office of Community Investment and Infrastructure
Office of Community Investment and Infrastructure
Success Agency to the San Francisco Redevelopment Agency
1 South Van Ness Avenue, Fifth Floor
San Francisco, CA 94103

Dear Honorable Commissioners,

I am requesting that the Office of Community Investment and Infrastructure ("OCII") assign a loan agreement between the former Redevelopment Agency and Mission Neighborhood Centers, Inc. ("MNC"), to the Mayor's Office of Housing and Community Development ("MOHCD") so that MOHCD may work with MNC and other interested parties in developing affordable housing at the site subject to the loan agreement. The former agency and now MOHCD have been in discussions with MNC about an affordable housing project at this site for several years, but the dissolution of the redevelopment agency has delayed and complicated the transaction. In light of the current housing crisis and the imminent due date for the loan repayment, there is a new urgency to restructure the loan agreement for affordable housing purposes.

As you know, San Francisco is currently facing a severe affordable housing crisis. Median rents and sales prices are among the highest in the state, even though San Francisco has consistently exceeded the housing production goals set by the state and has used local funds to assist affordable housing development. On average, households in San Francisco spend almost 40% of their annual income on housing, a figure that is significantly higher than the recommended 30%. To address the crisis, Mayor Ed Lee has set a goal of bringing 30,000 new or rehabilitated units online by 2020, including 10,000 permanently affordable units, through a variety of mechanisms, including developing new affordable housing for seniors, transitional aged youth, families, and those requiring supportive services, adding affordable housing tied to market-rate developments, building capacity through land acquisition for future development, and preserving existing affordable housing including at-risk small sites.
The funding of affordable housing projects in areas like the Mission District, which is encountering significant economic displacement of businesses and residents, is a high priority. To that end, MOHCD has been working with MNC and Mercy Housing California on a proposed affordable housing project (the “Project”) on land that MNC owns at 3001-3021 24th Street (the “24th Street Property”) in the Mission District. The Project, which will fulfill a critical housing need, has a funding gap and is currently not financially feasible.

As you know, in 1994 the former San Francisco Redevelopment Agency made a loan to MNC in the amount of $250,000 (the “Agency Loan”) for the acquisition of the 24th Street Site and the adjacent property at 3-5 Balmy Alley (the “Balmy Property”) for on-site economic development purposes. However, after the loan closed, it was discovered that the Balmy Property could not be converted to commercial use due to its existing zoning, and that the 24th Street Property required structural upgrades that were prohibitively expensive. As a result, MNC did not perform its obligations under the terms of the loan agreement. Currently, the Agency Loan is still in place and is secured by a deed of trust on the 24th Street Property and the Balmy Property; its terms allow for full forgiveness when the loan matures in November 2014 only if MNC has complied with the terms of the loan.

To help fill the Project’s funding gap, MNC has agreed to sell the Balmy Property and contribute a total of $250,000 of the sales proceeds, which represents the Agency Loan, to the Project. In order to facilitate this sale, the contribution of the Agency Loan to the Project, and the ultimate development of the Project, MOHCD is formally requesting an assignment of the Agency Loan to MOHCD. It is my understanding that such an assignment would require the approval of the Commission on Community Investment and Infrastructure, the Oversight Board, and the California Department of Finance, and would therefore need to meet the strict standards of Redevelopment Dissolution Law. Consistent with Redevelopment Dissolution Law, assignment of the Agency Loan to MOHCD would help fill the Project’s funding gap and would thereby benefit the taxing entities through the development of affordable housing, a critical need in San Francisco’s Mission District, and wind down the former redevelopment agency’s activities by transferring responsibility for developing the Project and administering the Agency Loan to MOHCD.

Thank you for your consideration.

Sincerely,

Kate Hartley
Deputy Director - Housing