RESOLUTION NO. 11-2014

CONDITIONALLY AUTHORIZING THE SUCCESSOR AGENCY TO ENTER INTO AN ASSIGNMENT AND ASSUMPTION AGREEMENT WITH THE CITY AND COUNTY OF SAN FRANCISCO (THE "CITY"), ACTING BY AND THROUGH THE MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT, SO THAT A $250,000 LOAN AGREEMENT BETWEEN MISSION NEIGHBORHOOD CENTER AND THE FORMER REDEVELOPMENT AGENCY MAY BE USED FOR AFFORDABLE HOUSING PURPOSES, CONSISTENT WITH REDEVELOPMENT DISSOLUTION LAW

WHEREAS, On September 27, 1994, the Commission of the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, exercising its functions and powers and organized and existing under the Community Redevelopment Law of the State of California (the “SFRA”), approved by Resolution No. 195-94, a Community Development Investment Fund Loan Agreement with Mission Neighborhood Centers, Inc., a non-profit public benefit corporation (“MNC” or “Borrower”) in the amount of $250,000 (the “Loan”) for acquisition of the properties at 3001-21 24th Street and 3-5 Balmy Alley for economic development purposes (the “Loan Agreement”); and,

WHEREAS, On February 1, 2012, the SFRA was dissolved pursuant to California Assembly Bill 26 (“AB 26”) and the California Supreme Court’s decision and order in the case entitled California Redevelopment Association et al. v. Ana Matosantos, and the successor entity to the SFRA became the City and County of San Francisco (the “City”). Four months later, in June 2012, the California State Legislature passed a follow-up bill to AB 26, commonly called Assembly Bill 1484 (“AB 1484”) (together with AB 26, “Redevelopment Dissolution Law”); and,

WHEREAS, Under AB 1484, the successor entity to the SFRA became a public entity that is separate from the City (the “Successor Agency”). The Successor Agency is also known as the Office of Community Investment and Infrastructure, or OCII. Under Redevelopment Dissolution Law, the Successor Agency assumed all of the SFRA’s enforceable obligations. The Successor Agency is charged with winding-down these enforceable obligations and disposing of all real property, pursuant to Redevelopment Dissolution Law, and subject to review by an oversight board and the California Department of Finance (“DOF”), which is the lead implementing agency under Redevelopment Dissolution Law. As a result of these legislative acts, the Successor Agency is a party to the Loan Agreement; and,
WHEREAS, On October 2, 2012, the Board of Supervisors, in its capacity as the legislative body of the Successor Agency, adopted Ordinance No. 215-12, acknowledging that OCII is a separate legal entity as a result of AB 1484, creating the Successor Agency Commission, also known as the Community Investment and Infrastructure Commission (the “Commission”), as the policy body of OCII, and delegating to the Commission the authority to act in place of the SFRA to among other matters, implement, modify, enforce and complete the SFRA’s enforceable obligations, approval all contracts and actions related to the assets transferred to or retained by the Commission, including, without limitation, the authority to exercise land use, development, and design approval, consistent with the applicable enforceable obligations, and take any actions that the Redevelopment Dissolution Law requires or authorizes on behalf of the Successor Agency; and,

WHEREAS, The Loan was made in accordance with the SFRA’s Community Development Investment Fund for the 24th Street Revitalization Program, which required that the acquisition provide economic benefits to the community in terms of (1) permanent job creation for low- and moderate-income persons and (2) provision of neighborhood-serving retail or regional attraction to support existing neighborhood businesses. SFRA Commission Resolution No. 221-92 (Oct. 20, 1992) described the source of funding for the 24th Street Revitalization Program as non-Community Development Block Grant, non-tax increment funds from the Yerba Buena Center Redevelopment Project Area; and,

WHEREAS, In November 1994, MNC acquired 3001-21 24th Street and 3-5 Balmy Alley, but has been unable to perform all of its obligations under the Loan Agreement because the Balmy Alley property could not be converted to commercial use due to its existing residential zoning and the 24th Street property required expensive structural upgrades. The Loan Agreement is still in effect and is secured by a deed of trust on 3001-21 24th Street and 3-5 Balmy Alley. The Loan Agreement provides for forgiveness upon maturity of the Loan if MNC has met all of the terms and conditions of the Loan Agreement; and

WHEREAS, Over the last several years, MOHCD has been working with MNC and Mercy Housing California on a proposed 35-unit affordable housing project for low- and very low-income households (the “Affordable Housing Project”) on MNC’s 24th Street property. The Affordable Housing Project, which will fulfill a critical housing need, has a funding gap and is therefore currently not financially feasible; and,

WHEREAS, In February 2014, MNC made a request to OCII to forgive the Loan so that it could reinvest the funds in the Affordable Housing Project. OCII determined that it could not forgive the Loan for the following reasons: (1) MNC has not met its obligations under the Loan Agreement to use the properties for economic development purposes, for the reasons state above; and (2) forgiveness of the loan would not comply with Redevelopment Dissolution Law, which directs successor agencies to “[e]nforce all former redevelopment agency rights for the benefit of
taxing entities, including but not limited to, continuing to collect loans, rents, and other revenues that were due to the redevelopment agency” (Cal. Health & Safety Code § 34177 (f)), and make findings that the forgiveness of the loan “would be in the best interests of the taxing entities” (Cal. Health & Safety Code § 34181 (e)); and,

WHEREAS In support of MNC’s efforts to develop the Affordable Housing Project, OCII worked with MNC and MOHCD to develop a transaction that is consistent with Redevelopment Dissolution Law. As part of the proposed transaction, MNC agreed that it would sell its Balmy Alley property and contribute a total of $250,000 of the sales proceeds, which represents the Loan, to the Affordable Housing Project. OCII in turn would assign the Loan Agreement to MOHCD, at its request. The Assignment and Assumption Agreement, attached as Exhibit A, simply transfers all of OCII rights and interests in the Loan Agreement to MOHCD. MOHCD would then work with MNC to revise the term and scope of the Loan Agreement to fit the needs of the Affordable Housing Project; and,

WHEREAS, MOHCD has requested that OCII assign the Loan Agreement to MOHCD for purposes consistent with the development of the Affordable Housing Project. In its request, attached as Exhibit B, MOHCD explained that San Francisco is currently facing a severe affordable housing crisis, with median rents and sales prices among the highest in the state, and that 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. The request also outlined Mayor Ed Lee’s goal of creating 30,000 new or rehabilitated units, including 10,000 permanently affordable units; and,

WHEREAS, The housing crisis is further compounded by the Successor Agency’s unfunded obligation to replace 5,842 low- and moderate-income housing units that were destroyed during urban renewal (1955-1975) and have not yet been replaced; and,

WHEREAS, Consistent with Redevelopment Dissolution Law, assignment of the Loan Agreement to MOHCD would help fill the Affordable Housing Project’s funding gap, thereby facilitating the development of affordable housing, a critical need in San Francisco and a benefit to the taxing entities, and furthermore will wind down the Former Agency’s activities by transferring responsibility for administering the Loan to MOHCD; and,

WHEREAS, Assignment of the Loan Agreement was approved by the Commission on November 4, 2014 by Resolution No. 90-2014; and,

WHEREAS, Assignment of the Loan Agreement also requires the review and approval of the Oversight Board and the California Department of Finance to determine compliance with the Redevelopment Dissolution Law’s standard that modifications of existing agreements are in the best interest of the taxing entities (Cal. Health & Safety Code § 34181 (e); and
WHEREAS, Authorizing the Assignment and Assumption Agreement, which will assign the Loan Agreement to the City, will not independently result in a physical change in the environment. This action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3); now, therefore, be it

RESOLVED, The Oversight Board, hereby finds, for the reasons stated above, that the Assignment and Assumption Agreement would be in the best interests of the taxing entities, and authorizes the Successor Agency to enter into an Assignment and Assumption Agreement, substantially in the form attached hereto, with the City and County of San Francisco, acting by and through the Mayor's Office of Housing and Community Development, to assign the Loan Agreement with Mission Neighborhood Centers to the City for affordable housing purposes, consistent with Redevelopment Dissolution Law, and conditioned upon review and approval by the California Department of Finance, and furthermore authorizes the Successor Agency to enter into any and all ancillary documents and take any additional actions necessary to consummate the transaction.

Exhibit A: Draft Assignment and Assumption Agreement
Exhibit B: Letter from Kate Hartley, Deputy Director of MOHCD, dated October 22, 2014

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of November 12, 2014.

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Interim Oversight Board Secretary