MEMORANDUM

TO: Oversight Board
FROM: Tiffany Bohee, Executive Director
SUBJECT: Resolution approving a first amendment to the Recognized Obligation Payment Schedule for July 1, 2012 to December 31, 2012 (ROPS) for the purpose of modifying the payment schedules under two existing enforceable obligations without changing the terms or conditions of those obligations: 1) increasing loan payments from $200,000 to $600,000 for the Hunters View Second Amended and Restated Phase 1 Tax Increment Loan Agreement (Line BVHP-10 of Exhibit A-2, Housing, of the ROPS); and 2) adding the final repayment amount not to exceed $11,000 for the California Housing Finance Agency Residential Development Loan #031607-01, (474 Natoma Street) (Line SOM-8 of Exhibit A-2, Housing, of the ROPS)

EXECUTIVE SUMMARY

The Oversight Board has approved Recognized Obligation Payment Schedules (“ROPS”) for two periods, the first between January 1, 2012 and June 30, 2012 (the “January-June ROPS”), and the second between July 1, 2012 and December 31, 2012 (the “July-December ROPS”). Since that time, staff has identified two items on the July-December ROPS for which an incorrect amount is listed.

First, the amount of payments needed in the July-December ROPS period required under the construction loan for the Hunters View affordable housing project needs to be increased; however, there is no increase in the overall obligation under the existing loan agreement. The amendment is necessary only to correct an error in how the timing of these payments is reflected on the ROPS.

Second, staff has identified one item on the July-December ROPS for which an amount was incorrectly excluded. The final repayment due to the California Housing Finance Agency (“CalHFA”) for a Residential Development Loan for the 474 Natoma Street affordable housing project has been due since February 2011 and has not been repaid. The amendment is necessary to fulfill the outstanding repayment obligation to the State.

Staff recommends approving a first amendment to the July-December ROPS to correct the amount of obligated payments during the specified period under the Hunters View Phase 1 loan agreement and to include the final repayment owed to CalHFA for CalHFA Residential Development Loan #031607-01.
DISCUSSION

A. Hunters View

Hunters View (the “Project”) is a multi-phased project to rebuild a severely distressed public housing site by providing public housing replacement units as well as building new affordable housing units. Phase 1 of the project is utilizing funds provided under a Second Amended and Restated Loan Agreement between the San Francisco Redevelopment Agency (the “Agency”) and Hunters View Associates, L.P., dated October 20, 2009 (the “Loan”), for construction costs. The Project is currently under construction.

Payments under this loan agreement were included on the Agency’s Enforceable Obligation Payment Schedules (“EOPS”), the January-June ROPS, and the July-December ROPS. However, when the payment amounts were estimated for the January-June ROPS, an error was made in that staff assumed a payment for a December invoice was paid in December via the EOPS. Based on that assumption the amount estimated to be paid out in January through June assumed payments for invoices beginning in January. However the December invoice was actually paid in January, thereby using up some of the ROPS payment authority needed for January to June invoices. Therefore, a correction is needed on the July-December ROPS in order to shift some of the payments to the July-December period. Specifically, the total payments under the July-December period will be increased from $200,000 to $600,000. Please see the attached amended line from the July-December ROPS attached to the Resolution accompanying this memorandum. This amendment does not increase the underlying enforceable obligation; it only corrects the timing of the payments. Staff anticipates that the Loan will be fully disbursed during the July-December ROPS period.

B. 474 Natoma

474 Natoma is a 58-unit affordable housing project located in the South of Market Redevelopment Project Area. The San Francisco Redevelopment Agency (the “Agency”) applied for, and was awarded, $4,600,000 of funds from CalHFA to support this development, as authorized by Agency Commission Resolution No. 154-2010, adopted May 1, 2007. On December 14, 2010 the Agency Commission authorized the Agency Executive Director to repay CalHFA in the amount of $2,724,048, through Commission Resolution No. 154-2010. On January 21, 2011, CalHFA was informed of the wired amount of $2,724,048 as repayment. Agency staff requested that the Agency be provided a notice of any unpaid principal or interest balance. The City was made aware by CalHFA on June 26, 2012 that as of June 30, 2012, there was a remaining unpaid balance of $10,398.72 and accrued interest due of $426.35, totaling an amount due to CalHFA of $10,825.07. For payments received after June 30, 2012, interest will be accruing at the rate of $0.87 per day.

This amount had not been previously included on the ROPS as it had been assumed that there was no longer an outstanding balance due. Recent communication with CalHFA has confirmed that an outstanding balance remains to be repaid. Accordingly, staff recommends amending the ROPS to allow for final repayment of this obligation.
CALIFORNIA ENVIRONMENTAL QUALITY ACT

Approving the first amendment to the July-December 2012 Recognized Obligation Payment Schedule is not a project as defined by California Environmental Quality Act ("CEQA") Guidelines Sections 15378(b)(4) and 15378(b)(5). The ROPS fulfills a state law requirement and provides for payment of enforceable obligations as defined by state law, and therefore, is an Agency administrative and fiscal activity that will not independently result in a physical change in the environment and is not subject to environmental review under CEQA.

(Originated by Sally Oerth)

Tiffany Bohcc
Executive Director