

1 [Ground Lease of Redevelopment Agency Land for Namiki Apartments]

2 **Resolution approving the Redevelopment Agency of the City And County of San**
3 **Francisco's lease of land at Assessor's Block 675, Lot 49, commonly known As 1776**
4 **Sutter Street, to Namiki Apartments, L.P., for 50 Years for the purpose of preserving a**
5 **housing development for very low and low income households.**
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7 WHEREAS, The expiration of project-based Section 8 contracts poses a serious threat
8 to San Francisco's affordable housing stock; and

9 WHEREAS, The Agency and the City desire to preserve developments with Section 8
10 contracts as affordable housing; and

11 WHEREAS, The housing development located at Assessor's Block 675, Lot 49, more
12 commonly known as 1776 Sutter Street ("the Project"), has a soon-to-expire Section 8
13 contract; and

14 WHEREAS, The current private owner of the Project can, terminate the Section 8
15 contract and convert the Project from affordable housing to market rate housing; and

16 WHEREAS, In order to preserve the long-term affordability of the Project, the Agency
17 intends to become the owner of the land associated with the Project ("the Property") located in
18 the Japantown section of the Western Addition neighborhood ; and

19 WHEREAS, Namiki Apartments, L.P., a California limited partnership ("Developer") is
20 an entity established to acquire and operate the Project as housing units for Very Low and
21 Low Income Households and will become the owner of the improvements on the Property;
22 and

23 WHEREAS, A majority of the tenants at the Project have endorsed the acquisition of
24 the Project by the Developer; and
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1 WHEREAS, The Developer has applied to the Agency for funding to preserve the
2 Project as affordable housing; and

3 WHEREAS, The Developer has secured an allocation of Tax-Exempt Multi-family
4 Mortgage Revenue Bonds and 4% Low Income Tax Credits and this funding, together with the
5 Agency funding and the lease of the Property for a restricted rent, estimated to be \$190,000
6 will make it financially feasible for the Developer to preserve 34 dwelling units for occupancy
7 by Very Low and Low Income Households, as those terms are defined in California Health
8 and Safety Code Sections 50105 and 33334.2, respectively; and

9 WHEREAS, The Agency and Namiki Apartments, L.P. intend to enter into a ground
10 lease ("the Ground Lease"), in which the Agency will lease the Property for One Hundred and
11 Ninety Thousand Dollars (\$190,000) per year, of which \$15,000 is due and payable each year
12 with the remainder payable to the extent income exceeds operations, in exchange for the
13 Developer's agreement, among other things, to preserve the Project with rent levels
14 affordable to Very Low and Low Income Households; and

15 WHEREAS, Although the Property could command a higher rent, leasing the Property
16 for a rent in excess of the stated rent would render it financially infeasible to preserve the
17 Project with rent levels affordable to Very Low and Low Income Households; and

18 WHEREAS, Because the Property will be purchased with tax increment money,
19 Section 33433 of the California Health and Safety Code requires the Board of Supervisors'
20 approval of its sale or lease, after a public hearing; and

21 WHERAS, Notice of the public hearing has been published as required by Health and
22 Safety Code Section 33433; and

23 WHEREAS, The Agency prepared and submitted a report in accordance with the
24 requirements of Section 33433 of the Health and Safety Code, including a copy of the
25 proposed Ground Lease, and a summary of the transaction describing the cost of the Ground
Lease of the Agency, the value of the property

1 interest to be conveyed, the lease price and other information was made available for the
2 public inspection; now therefore be it

3 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
4 does hereby find and determine that the lease of the Property from the Agency to Namiki
5 Apartments, L.P., a California limited partnership: (1) will provide housing for Very Low and
6 Low Income Persons; (2) is consistent with the Agency's implementation plan adopted
7 pursuant to California Health and Safety Code Section 33490; (3) the less than fair market
8 value rent of approximately One Hundred and Ninety Thousand Dollars (\$190,000) per year
9 for a period of fifty (50) years is necessary to effectuate the purposes of the Mayor's
10 Affordable Housing Preservation Program; and (4) the consideration to be received by the
11 Agency is not less than the fair reuse value at the use and with the covenants and conditions
and developments costs authorized by the Ground Lease; and be it

12 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
13 authorizes the Agency to execute the Ground Lease of the Property from the Agency to
14 Namiki Apartments, L.P., substantially in the form of the Ground Lease lodged with the
15 Agency General Counsel, and to take such further actions and execute such documents as
16 are necessary to carry out the Ground Lease on behalf of the Agency.
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