

1 [Ground Lease - Redevelopment Agency Land - 1075 LeConte Avenue, Commonly Known as
2 - 6600 Third Street]

3 **Resolution approving and authorizing the Redevelopment Agency of the City and**
4 **County of San Francisco to execute a lease of land at 1075 Le Conte Avenue,**
5 **Assessor’s Block No. 009, Lot No. 5476, commonly known as 6600 Third Street with**
6 **Third and LeConte Associates, LP, a California limited partnership, for a term of 70**
7 **years for the purpose of developing housing for formerly homeless individuals and**
8 **families.**

9

10 WHEREAS, The Redevelopment Agency of the City and County of San Francisco
11 (“Agency”) and the City desire to increase the City’s supply of affordable housing and
12 encourage affordable housing development through financial and other forms of assistance;
13 and,

14 WHEREAS, On February 17, 2009, by Resolution No. 22-2009, the Agency
15 Commission authorized a tax increment loan agreement in the amount of \$3,075,000
16 (“Acquisition Loan”) with Third and LeConte Associates, L.P. (“Sponsor”) for the acquisition of
17 1075 Le Conte Avenue, Assessors Block 009, Lot5476 (“Site”), for the purpose of developing
18 73 units of affordable rental housing for formerly homeless individuals and families (“Project”);
19 and,

20 WHEREAS, The terms of the Acquisition Loan require the Sponsor to hold the fee title
21 to the Site in trust for the Agency until the time of the Project’s construction loan closing and,
22 upon the transfer of the Site to the Agency and the concurrent execution of a ground lease
23 agreement between the Sponsor and the Agency, the Sponsor’s Acquisition Loan repayment
24 obligation will be satisfied in full; and,

25

1 WHEREAS, On March 1, 2011, by Resolution No. 23-2011, the Agency authorized a
2 construction and permanent loan agreement with Sponsor in an amount not to exceed
3 \$17,149,956 as gap funding for the Project and to leverage an allocation of low-income
4 housing tax credits (“Permanent Loan Agreement”); and,

5 WHEREAS, The Sponsor is preparing to submit an application to the California Tax
6 Credit Allocation Committee (“CTCAC”) in July 2011 to secure the Project’s final sources of
7 funding; and,

8 WHEREAS, On April 19, 2011, by Resolution No. 49-2011, the Agency Commission
9 authorized a 70-year ground lease agreement with the Sponsor (“Ground Lease Agreement”)
10 in anticipation of the Sponsor’s successful CTCAC application, construction loan closing, and
11 commencement of construction, thus allowing the Sponsor to construct and operate
12 improvements on the Site and the Agency to ensure that the affordability of the housing is
13 maintained over the long term. A copy of Agency Commission Resolution No. 49-2011 is on
14 file with the Clerk of the Board of Supervisors in File No. 110516, and incorporated by
15 reference herein as though fully set forth; and,

16 WHEREAS, The Ground Lease Agreement and Permanent Loan Agreement require
17 the Sponsor to provide permanent, high-quality housing and on-site support services to
18 formerly homeless individuals and families, and to secure financial subsidies required to
19 operate the Project from the City’s Human Services Agency through its Local Operating
20 Subsidy Program (“LOSP”); and,

21 WHEREAS, Lease payments imposed upon the Project by the Agency would require
22 additional City funding through LOSP, and to minimize the City’s financial obligation, the
23 Agency has set the Project’s annual rent at One Dollar (\$1.00), provided, however, that if the
24 Project ceases to serve homeless households, the annual rent shall adjust automatically,
25 based upon the then-current fair market rental value of the Project; and,

1 WHEREAS, Though the Site could command a higher rent, leasing the Site for a rent in
2 excess of the stated rent would impose an additional and unnecessary financial commitment
3 upon the City; and,

4 WHEREAS, Because the Site was purchased with tax increment funds, Section 33433
5 of the California Community Redevelopment Law, Health and Safety Code Sections 33000 et
6 seq. (“Community Redevelopment Law”) requires the Board of Supervisors to conduct a
7 public hearing and approve of the Agency’s sale or lease of the Site; and,

8 WHEREAS, Pursuant to Section 33433 of the Community Redevelopment Law, on
9 May 17, 2011, the Board of Supervisors held a duly noticed public hearing on the Ground
10 Lease Agreement. The hearing has been closed. Notice of such hearing was published in
11 accordance with Sections 33433 of the Community Redevelopment Law; and,

12 WHEREAS, The Agency has prepared and submitted a report in accordance with the
13 requirements of Section 33433 of the Community Redevelopment Law, including a copy of the
14 proposed Ground Lease Agreement, and a summary of the transaction describing the cost of
15 the Ground Lease Agreement to the Agency, the value of the property interest to be
16 conveyed, the lease price and other information. This report was made available for the public
17 inspection and is on file with the Clerk of the Board of Supervisors in File No. 110516 and
18 incorporated herein by reference as through fully set forth; and,

19 WHEREAS, The by Resolution No. 20-2009, the Agency Commission adopted a Final
20 Mitigated Negative Declaration prepared for the Project by the City Planning Department,
21 finding that it reflected the independent judgment and analysis by the Agency, and was
22 adequate and prepared in accordance with the California Environmental Quality Act
23 (California Public Resources Code Sections 21000 et seq.); now, therefore, be it

24 RESOLVED, That the Board of Supervisors does hereby find and determine that the
25 lease of the Site from the Agency to the Sponsor: (1) will provide housing for very low-income

1 households; (2) is consistent with the Agency's Citywide Tax Increment Affordable Housing
2 Program, pursuant to Section 33342.2 of the Community Redevelopment Law; (3) carries a
3 rental value, at approximately One Dollar (\$1.00) per year for a term of seventy (70) years,
4 which is less than the fair market rental value, in order to achieve affordability for homeless
5 households; and (4) the consideration to be received by the Agency is not less than the fair
6 reuse value at the use and with the covenants and conditions and developments costs
7 authorized by the Ground Lease Agreement; and, be it

8 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
9 authorizes the Agency to execute a Ground Lease Agreement with the Sponsor , substantially
10 in the form on file with the Clerk of the Board of Supervisors in File No. 110516 and lodged
11 with the Agency General Counsel, and make such revisions to the Ground Lease Agreement
12 as do not materially increase the obligations or liabilities of the Agency or materially decrease
13 the benefits to the Agency, as determined by the Agency's Executive Director, and to take any
14 such further actions as necessary or appropriate to implement t the Ground Lease
15 Agreement.

16
17
18
19
20
21
22
23
24
25