

1 [Ground Lease of Redevelopment Agency Land for Armstrong Place Senior Housing.]

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3 **Resolution approving the Redevelopment Agency of the City and County of San**
4 **Francisco’s Ground Lease (the “Ground Lease”) for Block 5421, Lot 13 commonly**
5 **known as Armstrong Place Senior Housing (the “Project”), to Armstrong Place**
6 **Associates, a California Limited Partnership, for 75 years for the purpose developing**
7 **housing for very low income senior households.**

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9 WHEREAS, The Agency and the City desire to increase the City’s supply of affordable
10 housing and encourage affordable housing development through financial and other forms of
11 assistance; and,

12 WHEREAS, The Board of Supervisors of the City adopted the Bayview Hunters Point
13 Redevelopment Project Area (the “Project Area”) in order to undertake a variety of projects
14 and activities to alleviate blighting conditions; and,

15 WHEREAS, It is the mission of BRIDGE Housing Development Corporation, a
16 California nonprofit public benefit corporation (“BRIDGE”), to provide safe, decent and
17 affordable rental and ownership housing in the Bay Area and Southern California. Armstrong
18 Place Associates, a California limited partnership (“Developer”) is an affiliate of BRIDGE
19 created to develop the Project; and,

20 WHEREAS, The Agency believes that the redevelopment of the Site, pursuant to the
21 Agreement, and the fulfillment generally of the Agreement and the intentions set forth herein,
22 are in the vital and best interests of the City and the health, safety, morals and welfare of its
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1 residents, and in accord with the public purposes and provisions of the applicable State and
2 Federal laws, and,

3 WHEREAS, A majority of the Bayview Hunter’s Point Project Area Committee
4 members have expressed their support for the development of this Project; and,

5 WHEREAS, The Developer has applied to the Agency for funding to develop the
6 Project as affordable rental housing; and,

7 WHEREAS, The Developer shall leverage the City’s financial assistance through
8 funding from the U.S. Department of Housing and Urban Development’s Section 202 Housing
9 for the Elderly Program (“HUD 202”), State Housing and Community Development Transit
10 Oriented Development (“TOD”) funding, California Debt Limit Allocation and California Tax
11 Credit Allocation Committees for additional Project funding; and,

12 WHEREAS, The Agency and the Developer have entered into an option to ground
13 lease agreement and intend to enter into a ground lease agreement (“the Ground Lease”), in
14 which the Agency will lease the Property for One Dollar (\$1.00) per year, in exchange for the
15 Developer’s agreement, among other things, to operate the Project with rent levels affordable
16 to Very Low Income Households, as those terms are defined in California Health and Safety
17 Code Sections 50105 and 33334.2, respectively. The lease also has a provision that allows
18 for annual rent of \$50,000 to be payable only in the event of the loss of HUD 202 funding, and
19 if there is sufficient cash flow to fund the payment; and,

20 WHEREAS, the initial Ground Lease will be with a BRIDGE-affiliated entity, Armstrong
21 Place Associates, a California Limited Partnership, and will include both the Housing
22 Development and the Commercial Development. HUD 202 grants cannot be secured by a
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1 deed of trust which could result in HUD becoming the owner of commercial property. A
2 tentative final map has been filed with the City that will result in the creation of five separate
3 parcels (A-E) on the Site. Parcel A will include the residential component of the Project and
4 parcels B-E will include the commercial component of the Project. Upon recordation of the
5 final subdivision map, the initial Ground Lease will be amended so that it only pertains to the
6 property under, and air rights affecting, Parcel A and a separate commercial lease will be
7 entered into between the Agency and an affiliate of BRIDGE, for the remaining property
8 under, and air rights affecting, Parcels B-E. The use of tax increment funds on the
9 commercial space in the Project is consistent with City guidelines regarding funding
10 commercial space in affordable housing, however, as mentioned above, the separation of the
11 commercial and housing components within the Project is required by HUD.
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13 WHEREAS, Although the Property could command a higher rent, leasing the Property
14 for a rent in excess of the stated rent would render it financially infeasible to operate the
15 Project and remain in compliance with HUD 202 regulations and with rent levels affordable to
16 Very Low Income Households; and,
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18 WHEREAS, Because the Property was purchased with tax increment money, Section
19 33433 of the California Health and safety Code requires the Board of Supervisors' approval of
20 its sale or lease, after a public hearing; and,
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22 WHEREAS, Notice of the public hearing has been published as required by Health and
23 Safety Code Section 33433; and,
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25 WHEREAS, The Agency prepared and submitted a report in accordance with the
requirements of Section 33433 of the Health and Safety Code, including a copy of the

1 proposed Ground Lease, and a summary of the transaction describing the cost of the Ground
2 Lease to the Agency, the value of the property interest to be conveyed, the lease price and
3 other information was made available for the public inspection; now, therefore, be it

4 RESOLVED, That the Board of Supervisors of the City and County of San Francisco does
5 hereby find and determine that the lease of the Property from the Agency to Armstrong Place
6 Associates, a California limited partnership: (1) will provide housing for Lower Income
7 Persons; (2) is consistent with the Agency's implementation plan adopted pursuant to
8 California Health and Safety Code Section 33490; (3) the less than fair market value rent of
9 approximately One Dollar (\$1.00) per year for a period of seventy-five (75) years is necessary
10 to achieve affordability for Very Low Income Households; and (4) the consideration to be
11 received by the Agency is not less than the fair reuse value at the use and with the covenants
12 and conditions and development costs authorized by the Ground Lease; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
14 authorizes the Agency to execute the Ground Lease with Armstrong Place Associates, L.P.,
15 substantially in the form of the Ground Lease lodged with the Agency General Counsel, and
16 on behalf of the Agency.