

1 [Ground Lease - Redevelopment Agency Land - 474 Natoma Street]

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3 **Resolution approving and authorizing the Redevelopment Agency of the City and**
4 **County of San Francisco to execute a lease of land at 474 Natoma, Assesor’s Block No.**
5 **3725, Lot No. 101, to 474 Natoma, LLC, a California limited liability company, an**
6 **affiliate of BRIDGE Housing Corporation, a California nonprofit public benefit**
7 **corporation, for 75 years, with an option to extend for 24 years, for the purpose of**
8 **providing housing for very low-income households.**

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10 WHEREAS, The Agency and the City desire to increase the City’s supply of
11 affordable housing by encouraging the construction of affordable housing through financial
12 and other forms of assistance; and

13 WHEREAS, The BRIDGE Housing Corporation (BRIDGE) applied to the Agency for a
14 tax increment loan in the amount of \$15,470,713 for the ground lease and construction of a
15 60-unit affordable rental housing development located at 474 Natoma Street, currently
16 described as the Natoma Family Apartments (Project), located at 474 Natoma Street,
17 Assessor’s Block no. 3725, Lot no. 101 (Property); and

18 WHEREAS, 474 Natoma, LLC, a California limited liability company (Tenant), is an
19 affiliate of BRIDGE Housing Corporation, a California nonprofit public benefit corporation,
20 and desires to enter into a ground lease with the Agency; and

21 WHEREAS, the Agency issued a Request for Proposals (RFP) for 474 Natoma in
22 December 2006, and an evaluation panel comprised of seven members unanimously rated
23 the proposal submitted by BRIDGE the highest. The Commission simultaneously
24 authorized a predevelopment loan in the amount of \$2,600,000. On August 21 2007, site
25 control was obtained when the Agency Commission authorized an Exclusive Negotiations

1 Agreement with BRIDGE for development of the Project. On April 19, 2011, the Commission
2 authorized an additional tax increment loan agreement funds in an amount not to exceed
3 \$12,870,713 for a total aggregate amount not to exceed \$15,470,713; and

4 WHEREAS, The Agency has proposed a long-term ground lease agreement (Ground
5 Lease) with the Tenant to allow for the construction and operation of the improvements at
6 the Property while allowing the Agency to ensure that the affordability of the housing is
7 maintained over the long term; and

8 WHEREAS, The construction plan will provide for the development of 60 units at 474
9 Natoma Street with approximately 73,600 gross square feet, comprised of seven studio
10 units, 28 one-bedroom units, 18 two-bedroom units and seven three-bedroom units; and

11 WHEREAS, The long-term financing plan for the Project includes the leveraging of
12 Agency funds that will pay for a portion of the development costs, through successful
13 financial applications for construction and permanent funding from a commercial lender
14 acceptable to the Agency, Tax Exempt Bond Financing, California Tax Credit Equity, and
15 General Partner Equity. The Tenant anticipates that the Project will be completed and
16 occupied in 2014; and

17 WHEREAS, The Agency and the Tenant have entered into the Ground Lease, in
18 which the Agency will lease the Property is 10% of the fair market value of \$3,300,000 for a
19 lease payment of \$330,000 per year, in exchange for the Tenant's agreement, among other
20 things, to operate the Project with rent levels affordable to Very Low-Income Households,
21 provided, however, that notwithstanding any other provision of the Ground Lease, the
22 Annual Rent shall accrue, of which \$15,000 is due and payable each year for the first fifteen
23 years. The base rent is to be reset every 15 years based on reappraisal. The remainder of
24 each annual lease shall be payable to the extent the Project's annual operation income
25 exceeds annual operating expenses, required reserves and approved fees; and

1 WHEREAS, Because the Property was purchased with tax increment funds, Section
2 33433 of the California Health and Safety Code requires the Board of Supervisors' approval
3 of its sale or lease, after a public hearing; and

4 WHEREAS, Notice of the public hearing has been published as required by Health
5 and Safety Code Section 33433; and

6 WHEREAS, The Agency prepared and submitted a report in accordance with the
7 requirements of Section 33433 of the Health and Safety Code, including a copy of the
8 proposed Ground Lease, and a summary of the transaction describing the cost of the
9 Ground Lease to the Agency, the value of the property interest to be conveyed, the lease
10 price and other information was made available for the public inspection; now, therefore, be
11 it

12 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
13 does hereby find and determine that the lease of the Property from the Agency to 474
14 Natoma, LLC, a California limited liability company: 1) will provide housing for Very Low-
15 Income persons; 2) is consistent with the Agency's Citywide Tax Increment Affordable
16 Housing Program, pursuant to California Health and Safety Code Section 33342.2, et. Seq.;
17 and 3) the consideration to be received by the Agency is not less than the fair reuse value at
18 the use and with the covenants and conditions and development costs authorized by the
19 Ground Lease; and, be it

20 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
21 authorizes the Agency to execute the Ground Lease of the Property from the Agency to 474
22 Natoma, LLC, a California limited liability company, substantially in the form of the
23 Ground Lease lodged with the Agency General Counsel.