

1 [Ground Lease of Redevelopment Agency Land for 10th and Mission Family Housing.]

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3 **Resolution approving the Redevelopment Agency of the City and County of San**
4 **Francisco’s lease of land at Assessor’s Block 3508, Lots 26 and 27, commonly known**
5 **as 10th and Mission Streets, San Francisco, California (the “Site”) in the Mid-Market**
6 **Redevelopment Survey Area, to Mercy Housing California XIV, L.P., a California Limited**
7 **Partnership, for 65 years for the purpose of developing housing for very low income**
8 **family households, including formerly chronically homeless households.**

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

13 WHEREAS, The housing development located at 10th and Mission Streets, Assessor’s
14 Block 3508, Lots 26 and 27, San Francisco, California (the “Site”) in the Mid-Market
15 Redevelopment Survey Area (the “Survey Area”) (“the Project” or “Property”), is a lot which
16 currently is improved by the King Diner and a parking lot, which may be converted to
17 permanent, quality, affordable housing for Very Low Income households, as those terms are
18 defined by the United States Department of Housing and Urban Development (“HUD”); and

19 WHEREAS, Mercy Housing California XIV, L.P., a California Limited Partnership
20 (“Developer”), is an entity established to develop and operate the Project as housing units for
21 Very Low Income family households and entered into a Purchase and Sale Agreement with
22 the current owners of the Project; and

23 WHEREAS, The Developer requested that the Agency assume the Developer’s right to
24 purchase the Property with the intention of leasing the land back to the Developer; and

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1 WHEREAS, The Agency became the owner of the land associated with the Project (the
2 “Property”) in order to assist in the Project’s acquisition and to ensure the long-term
3 affordability of the Project; and

4 WHEREAS, The Agency and the Mayor’s Office of Housing supplied additional
5 predevelopment funding to the Project in order to investigate the economic feasibility of the
6 Project and complete predevelopment activities; and

7 WHEREAS, The Developer shall leverage the City’s financial assistance through
8 applications to the California Debt Limit Allocation and California Tax Credit Allocation
9 Committees and the State of California’s Multifamily Housing Program for additional Project
10 funding; and

11 WHEREAS, The Agency and the Developer have entered into an option to ground
12 lease agreement and intend to enter into a ground lease agreement (“the Ground Lease”), in
13 which the Agency will lease the Property for One Hundred Eighty Thousand Dollars
14 (\$724,500.00) per year, with new appraisal adjustments every fifteen years, of which \$20,000
15 is due and payable each year with the remainder payable to the extent income exceeds
16 operations, in exchange for the Developer’s agreement, among other things, to operate the
17 Project with rent levels affordable to Very Low Income Households; and

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

21 WHEREAS, Because the Property was purchased with tax increment money, Section
22 33433 of the California Health and Safety Code requires the Board of Supervisors’ approval of
23 its sale or lease, after a public hearing; and

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

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

6 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
7 does hereby find and determine that the lease of the Property from the Agency to Mercy
8 Housing California XIV, L.P., a California Limited Partnership: (1) will provide housing for Very
9 Low Income Persons; (2) is consistent with the Agency's Citywide Tax Increment Affordable
10 Housing Program, pursuant to California Health and Safety Code Section 33342.2, et. seq.;
11 (3) the less than fair market value rent of approximately One Hundred Eighty Thousand
12 Dollars (\$724,500.00) per year, as adjusted per reappraisals every fifteen years, for a period
13 of fifty-five (65) years is necessary to achieve affordability for Very Low Income Households;
14 and (4) the consideration to be received by the Agency is not less than the fair reuse value at
15 the use and with the covenants and conditions and developments costs authorized by the
16 Ground Lease; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
18 authorizes the Agency to execute the Ground Lease of the Property from the Agency to Mercy
19 Housing California XIV, L.P., substantially in the form of the Ground Lease lodged with the
20 Agency General Counsel, and to take such further actions and execute such documents as
21 are necessary to carry out the Ground Lease on behalf of the Agency.

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