

FILE NO.

RESOLUTION NO.

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**
5 **No. 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 Agency Commission approved the Ground Lease on April 9, 2011,
9 and the Developer and the Agency executed the Ground Lease, prior to the June 28, 2011
10 date that AB x1 26 (the "Redevelopment Dissolution Act") became effective and therefore
11 the Agency is obligated to implement the Ground Lease is an "Enforceable Obligation"
12 under Ca. Health and Safety Code Section 34167(d)(5); and

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

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

22 WHEREAS, The Agency and the Tenant have entered into the Ground Lease, in
23 which the Agency will lease the Property is 10% of the fair market value of \$3,300,000 for a
24 lease payment of \$330,000 per year, in exchange for the Tenant's agreement, among other
25 things, to operate the Project with rent levels affordable to Very Low-Income Households,

1 provided, however, that notwithstanding any other provision of the Ground Lease, the
2 Annual Rent shall accrue, of which \$15,000 is due and payable each year for the first fifteen
3 years. The base rent is to be reset every 15 years based on reappraisal. The remainder of
4 each annual lease shall be payable to the extent the Project's annual operation income
5 exceeds annual operating expenses, required reserves and approved fees; and

6 WHEREAS, Because the Property was purchased with tax increment funds, Section
7 33433 of the California Health and Safety Code requires the Board of Supervisors' approval
8 of its sale or lease, after a public hearing; and

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

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

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

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

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