

[Ground Lease of Redevelopment Agency Land for Arnett Watson Apartments located at 650 Eddy Street]

**Resolution approving the Redevelopment Agency of the City and County of San Francisco's lease of land at Assessor's Block 0740, Lot 045 (former Lots 11 and 12), San Francisco, California (the "Site"), to 650 EDDY, L.P., a California limited partnership, for 70 years (with an option for an additional 29 years) for the purpose of developing housing for very low income households; adopting findings pursuant to Section 33433 of the California Community Redevelopment Law.**

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

WHEREAS, The housing development located at 650 Eddy Street, Assessor's Block 0740, Lot 045 (former Lots 11 and 12), San Francisco, California (the "Site"), is a lot which currently is improved by a commercial parking lot, which may be converted to permanent, quality, affordable housing for Very Low Income households, as those terms are defined by the United States Department of Housing and Urban Development ("HUD"); and,

WHEREAS, Tenderloin Neighborhood Development Corporation of San Francisco, a California nonprofit public benefit corporation, formed 650 Eddy, L.P., a California limited partnership to acquire the Site and develop the project with CHP Eddy LLC as its general partner, and is developing this project in partnership with the Community Housing Partnership who is a co-member of the CHP Eddy LLC general partner to the partnership ("Developer"); and,

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WHEREAS, The Developer and the Agency entered into an option agreement that stipulates that the Developer will assign the Site to the Agency in exchange for termination of the grant agreement and execution of the ground lease, and the Agency will ground lease the Site back to the Developer for One Dollar (\$1.00) per year for the development of a multi-use project consisting of approximately 83 units of affordable housing for Very Low Income households, a small ground floor retail space, residential parking spaces, and other ancillary uses (the "Project"); and,

WHEREAS, The Agency provided tax increment revenues to assist the Developer to purchase the Site; and,

WHEREAS, The Mayor's Office of Housing has supplied additional acquisition, predevelopment and permanent funding to the Project; and,

WHEREAS, The Developer has leveraged the City's financial assistance through funding commitments from the State Multifamily Housing Program ("MHP"), Affordable Housing Program ("AHP") from the Federal Home Loan Bank, Green Communities Initiative, California Debt Limit Allocation, and California Tax Credit Allocation Committees for additional Project funding; and,

WHEREAS, Although the annual rent under the Ground Lease is below the fair market rental value of the Site, leasing the Site for a rent in excess of the \$1.00 per year would render the Project financially infeasible to operate and remain in compliance with State MHP and Tax Credit regulations and maintaining rent at levels affordable to persons and households with incomes at 50% of area median income ("Very Low Income Households"); and,

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

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

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

RESOLVED, That the Board of Supervisors of the City and County of San Francisco does hereby find and determine, based on the record before it, including but not limited to the 33433 Report, the Ground Lease, the summary, and other materials, all of which are on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_, as follows:

1. The Agency administers a Citywide Affordable Housing Program (the "Program") pursuant to which the Agency dedicates a portion of the tax increment generated from the Agency's redevelopment project areas to the development of affordable housing throughout the City, both within and outside such redevelopment project areas.
2. The appraised fair market value of the Site is \$2,875,000, and the fair market rental value of the Site is greater than \$1.00 per year.
3. The Board of Supervisors wishes to encourage the development of decent, safe, and sanitary housing in the City that is affordable to Very Low Income Households and supports the California Legislature's finding and declaration that a fundamental purpose of redevelopment is to expand the supply of low- and moderate-income housing, to expand employment opportunities for jobless, underemployed, and low-income persons, and to provide an environment for the social, economic, and psychological growth and well-being of all citizens (Section 33071 of the California Health and Safety Code).

4. The Project will provide decent, safe, and sanitary housing and supportive services to Very Low Income Households within the City, and the Project would not be feasible at a higher annual rental rate.

5. The lease of the Site will assist in providing housing for low- or moderate-income persons by requiring the Developer to develop the Project and rent to or make 100% of the residential units available for rental by Very Low Income Households for the entire term of the lease.

6. The Site is not in a redevelopment project area and therefore is not subject to an implementation plan adopted pursuant to Section 33490 of the California Health and Safety Code.

7. The consideration for the lease of the Site is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the lease.

FURTHER RESOLVED, That the Board of Supervisors hereby approves the Ground Lease of the Site from the Agency to 650 Eddy, L.P., a California limited partnership, in substantially the form of the Ground Lease on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_, and urges the Agency to take such further actions and execute such documents as are necessary to carry out the Ground Lease.