

1 [Ground Lease of Redevelopment Agency Land for Leland Hotel.]

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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 0667, Lot 003, commonly known as 1301-**

5 **1327 Polk Street, to Mercy Housing California XVIII, L.P., a California Limited**

6 **Partnership, for 55 years for the purpose of developing housing for very low income**

7 **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 housing development located at Assessor's Block 0667, Lot 003,

13 more commonly known as 1301-1327 Polk Street ("the Project"), is a vacant building which

14 may be converted to permanent, quality, affordable housing for Very Low and Low Income

15 households, as those terms are defined by the United States Department of Housing and

16 Urban Development ("HUD"); and

17 WHEREAS, Mercy Housing California XVIII, L.P., a California Limited Partnership

18 ("Developer"), is an entity established to acquire and operate the Project as housing units for

19 Very Low and Low Income senior households and has entered into a Purchase and Sale

20 Agreement with the current owners of the Project; and

21 WHEREAS, The Developer has applied to the Agency and the Mayor's Office of

22 Housing (MOH) for assistance in funding the acquisition and renovation of the Project in order

23 to convert the Project to seventy-two (72) affordable housing units for Very Low and Low

24 Income senior households; and

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

4 WHEREAS, MOH intends to supply additional acquisition and construction funding to
5 the Project from Proposition A Affordable Housing Funds in order to enhance the economic
6 feasibility of the Project; 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 for additional Project funding; and

10 WHEREAS, The Agency and the Developer intend to enter into a ground lease
11 agreement (“the Ground Lease”), in which the Agency will lease the Property for One Hundred
12 Eighty Thousand Dollars (\$180,000.00) per year, with new appraisal adjustments every fifteen
13 years, of which \$15,000 is due and payable each year with the remainder payable to the
14 extent income exceeds operations, in exchange for the Developer’s agreement, among other
15 things, to operate the Project with rent levels affordable to Very Low and Low Income
16 Households; and

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

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

23 WHEREAS, Notice of the public hearing has been published as required by Health and
24 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

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7 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
8 does hereby find and determine that the lease of the Property from the Agency to Mercy
9 Housing California XVIII, L.P., a California Limited Partnership: (1) will provide housing for
10 Very Low and Low Income Persons; (2) is consistent with the Agency's Citywide Tax
11 Increment Affordable Housing Program, pursuant to California Health and Safety Code
12 Section 33342.2, et. seq.; (3) the less than fair market value rent of approximately One
13 Hundred Eighty Thousand Dollars (\$180,000.00) per year, as adjusted per reappraisals every
14 fifteen years, for a period of fifty-five (55) years is necessary to achieve affordability for Very
15 Low and Low Income Households; and (4) the consideration to be received by the Agency is
16 not less than the fair reuse value at the use and with the covenants and conditions and
17 developments costs authorized by the Ground Lease; and be it

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