

1 [Ground Lease of Redevelopment Agency Land for 9th and Jessie Senior 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, Lot 51, commonly known as 9th and**
5 **Jessie Streets, San Francisco, California (the “Site”) in the Mid-Market Redevelopment**
6 **Survey Area, to MERCY HOUSING CALIFORNIA, a California nonprofit public benefit**
7 **corporation, for 55 years for the purpose of developing housing for very low income**
8 **senior 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 9th and Jessie Streets, Assessor’s
14 Block 3508, Lot 51, San Francisco, California (the “Site”) in the Mid-Market Redevelopment
15 Survey Area (the “Survey Area”) (“the Project” or “Property”), is a lot which currently is
16 improved by a parking lot and two billboards, which may be converted to permanent, quality,
17 affordable housing for Very Low Income households, as those terms are defined by the United
18 States Department of Housing and Urban Development (“HUD”); and

19 WHEREAS, Mercy Housing California, a California nonprofit public benefit corporation
20 (“Developer”), will develop and operate the Project as housing units for Very Low Income
21 senior households and Mercy Housing California XVIII, L.P., a California Limited Partnership ,
22 an affiliate of the Developer entered into a Purchase and Sale Agreement with the current
23 owners of the Project; and

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

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 U.S. Department of Housing And Urban Development’s Section 202
9 Housing for the Elderly Program (“HUD 202”), California Debt Limit Allocation, and California
10 Tax Credit Allocation Committees for additional Project 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 Dollar (\$1.00) per year, in exchange for the
14 Developer’s agreement, among other things, to operate the Project with rent levels affordable
15 to Very Low Income Households; and

16 WHEREAS, Although the Property could command a higher rent, leasing the Property
17 for a rent in excess of the stated rent would render it financially infeasible to operate the
18 Project and remain in compliance with HUD 202 regulations and with rent levels affordable to
19 Very Low Income Households; and

20 WHEREAS, Because the Property was purchased with tax increment money, Section
21 33433 of the California Health and Safety Code requires the Board of Supervisors’ approval of
22 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

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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, a California nonprofit public benefit corporation: (1) will provide housing for
9 Very Low Income Persons; (2) is consistent with the Agency's Citywide Tax Increment
10 Affordable Housing Program, pursuant to California Health and Safety Code Section 33342.2,
11 et. seq.; (3) the less than fair market value rent of approximately One Dollar (\$1.00) per year
12 for a period of fifty-five (55) years is necessary to achieve affordability for Very Low Income
13 Households; and (4) the consideration to be received by the Agency is not less than the fair
14 reuse value at the use and with the covenants and conditions and developments costs
15 authorized by the Ground Lease; and, be it

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

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