

1 [Redevelopment Agency Sale of Agency-Owned Land at 1345 Turk Street through a  
2 Disposition and Development Agreement with MSPDI TURK, L.L.C.]

3 **Resolution approving the Redevelopment Agency of the City and County of San**  
4 **Francisco’s Disposition and Development Agreement for Assessor’s Block 0756, Lot**  
5 **017, commonly known as 1345 Turk Street (the “Site”), to sell the Site to MSPDI Turk,**  
6 **LLC, a California limited liability company, for the development of 32 affordable for-sale**  
7 **housing units for low- and moderate-income households.**

8  
9 WHEREAS, The Redevelopment Agency of the City and County of San Francisco  
10 (“Agency”) and the City of the San Francisco (the “City”) desire to increase the City’s supply of  
11 affordable housing and encourage affordable housing development through financial and  
12 other forms of assistance; and

13 WHEREAS, In May 2003, the Agency acquired from the City that certain property with  
14 improvements located at 1190 Fillmore Street (the "Property") for \$900,000 for the primary  
15 use and development of affordable housing, to provide art and community uses, and other  
16 publicly beneficial uses, as set forth in the City’s Board of Supervisors (the “Board”)  
17 Resolution No. 254-03; and

18 WHEREAS, The Property consists of the Muni-Substation and an adjacent vacant land  
19 parcel and the Property has since been subdivided by the Agency into two lots; the first of  
20 which consists of the Muni-Substation situated on 6,335 square-feet of land located at 1190  
21 Fillmore Street and assigned lot number 015 of Assessor’s Block 0756 (the “Muni-  
22 Substation”); and the second lot consists of a vacant 26,708 square-foot land parcel located at  
23 1345 Turk Street and assigned lot number 017 of Assessor’s Block 0756 (the “Affordable  
24 Housing Parcel” or “Site”); and

1           WHEREAS, Between 2003 and 2009, the Agency took a number steps to redevelop  
2 the Property and the Site, including the development of plans for seismically retrofitting the  
3 Muni-Substation building and for reuses. The Agency issued a number of Request for  
4 Proposals (“RFPs”) for the development and reuse of the Property and the Site;

5           WHEREAS, In September 2006, the Agency issued an RFP for the Site for the  
6 development of affordable first-time homebuyer units for low- and moderate-income  
7 households. The RFP sought high-quality proposals from experienced developers capable of  
8 building approximately 32 affordable units on the Site (the “Project” or the “Development”).  
9 Three proposals were received by the October 2006 submission deadline. In November  
10 2006, the Western Addition Citizens Advisory Committee (“WACAC”) approved the RFP  
11 selection process. Subsequently, Michael Simmons Property Development, Inc. was selected  
12 by an interdisciplinary panel, comprised of staff and WACAC members, to develop the Site;  
13 and

14           WHEREAS, The Agency negotiated and executed an Exclusive Negotiations  
15 Agreement (“ENA”) with Michael Simmons Property Development, Inc., which ENA includes a  
16 series of performance milestones leading to the execution of a predevelopment loan  
17 agreement; and

18           WHEREAS, In or about May 2007, Michael Simmons Property Development, Inc.  
19 created a wholly owned subsidiary named MSPDI Turk, LLC, a California limited liability  
20 company (the “Developer”), to negotiate and fulfill its obligations under the ENA to enter into a  
21 Disposition and Development Agreement (“DDA”) with the Agency and to construct the 32  
22 affordable housing units on the Site; and

23           WHEREAS, To date the Agency has authorized funding to make the Project financially  
24 feasible by advancing approximately \$1.62 million in predevelopment funds to the Developer  
25 and in November 2009 approving an addition \$14.45 million for construction bringing the total

1 of Agency's funding for this Project to \$16.07 million to provide needed gap financing for the  
2 Project's estimated total development cost of \$23.8 million; and

3 WHEREAS, The Agency and Developer are planning to enter into a DDA for the sale  
4 and development of the Site pursuant to a performance schedule requiring the Developer to  
5 start construction by no later than July 2010. Included in the DDA is the proposed sale and  
6 purchase price of \$648,000 for the Site based on the conditions, covenants, restrictions, and  
7 estimated cost of the Project; and

8 WHEREAS, Section 33433 of the California Health and Safety Code requires the  
9 Board of Supervisors' approval of the sale or lease of the Site after public hearing because it  
10 was purchased with tax increment funds; and

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

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

18 RESOLVED, That the Board of Supervisors of the City and County of San Francisco  
19 does hereby finds and determines that the sale of the Site from the Agency to MSPDI Turk,  
20 LLC, a California limited liability company: (1) will provide housing for low- and moderate-  
21 income households; (2) is consistent with the Agency's implementation plan adopted pursuant  
22 to California Health and Safety Code Section 33490; (3) the estimated value of the land to be  
23 conveyed, determined at the noted restricted use, with the conditions, covenants, and  
24 estimated development costs as required by the sale, is \$648,000. The Site is being sold to  
25 the Developer to develop 32 units of affordable homeownership housing opportunities for low

1 – and moderate-income households. When the Project is complete, the units will be sold to  
2 qualified homebuyers with household incomes averaging 80% of Area Median Income  
3 (“AMI”), as defined by the U.S. Department of Housing and Urban Development. The  
4 homeownership units will be affordable to households at the stated AMIs for an initial period of  
5 45 years.

6 The reason the disposition price is less than the appraised fair market value of the Site,  
7 determined at the highest and best use, is to make the units affordable. In addition, the  
8 Agency is providing subsidies to make the Project financially feasible. In return for these  
9 subsidies, the Developer must sell the units to eligible first time homebuyers at substantially  
10 below their fair market values. The eligible buyers purchasing the units at affordable prices  
11 must agree to comply with the Agency’s Limited Equity Program requirements.

12 Finally, for the Project to continue to be affordable, the resale prices are permanently  
13 restricted and will not reflect market appreciation. The sale prices of the ownership units at  
14 1345 Turk Street have been calculated using several factors, including: the number of  
15 persons in the household (per targeted AMI levels); gross annual income of the household;  
16 the allowable housing cost (or 33% of the gross household income); subtracting  
17 homeownership related costs (i.e., homeownership association dues, property taxes, personal  
18 property insurance, and the housing payment); the supportable mortgage given a down  
19 payment of 5%; and, if applicable, other loans available to the first time homebuyers; and (4)  
20 the consideration to be received by the Agency is not less than the fair reuse value at the use  
21 and with the covenants and conditions and developments costs authorized by the DDA; and,  
22 be it; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors hereby approves and  
24 authorizes the Agency to execute the Disposition and Development Agreement with MSPDI  
25 Turk, L.L.C., substantially in the form of the Disposition and Development Agreement lodged

1 with the Agency General Counsel, and to take such further actions and execute such  
2 documents as are necessary to carry out the Disposition and Development Agreement on  
3 behalf of the Agency.

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25