

1 [Ground Lease of Redevelopment Agency Land to Mercy Housing California, XLI]

2 **Resolution authorizing a ground lease with the Redevelopment Agency of the City and**
3 **County of San to lease a portion of the Site located at 227-255 Seventh Street for the**
4 **development commonly known as Westbrook Plaza Housing (the “Project”), with**
5 **Mercy Housing California XLI, a California Limited Partnership, for 60 years for the**
6 **purpose of developing and operation of housing for low income families, South of**
7 **Market Redevelopment Project Area.**
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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 Board of Supervisors of the City adopted the South of Market
13 Redevelopment Project Area (the “Project Area”) in order to undertake a variety of projects
14 and activities to alleviate blighting conditions; and,

15 WHEREAS, It is the mission of Mercy Housing California, a California nonprofit public
16 benefit corporation (“MHC”), to provide safe, decent and affordable rental and ownership
17 housing in the Bay Area. Mercy Housing California XLI, a California limited partnership
18 (“Developer”) is an affiliate of MHC created to develop the Project; and,

19 WHEREAS, The Agency believes that the redevelopment of the Site, pursuant to the
20 Ground Lease (the “Agreement”), and the fulfillment generally of the Agreement and the
21 intentions set forth herein, are in the vital and best interests of the City and the health, safety,
22 morals and welfare of its residents, and in accord with the public purposes and provisions of
23 the applicable State and Federal laws, and,
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1 WHEREAS, A majority of the South of Market Project Area Committee members have
2 expressed their support for the development of this Project; and,

3 WHEREAS, The Developer has applied to the Agency for funding to develop the
4 Project as affordable rental housing; and,

5 WHEREAS, The Developer shall leverage the City's financial assistance through
6 funding from the California Tax Credit Allocation Committees for additional Project funding;
7 and,
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9 WHEREAS, The Agency and the Developer intend to enter into the agreement, in
10 which the Agency will lease the Property for Fifteen Thousand Dollars (\$15,000.00) per year,
11 in exchange for the Developer's agreement, among other things, to operate the Project with
12 rent levels affordable to Low Income Households, as those terms are defined in California
13 Health and Safety Code Sections 50105 and 33334.2, respectively; and,

14 A tentative final map has been filed with the City that will result in the creation of three
15 separate parcels (A-C) on the Site. Parcel A will contain the land parcel; Parcel B will house a
16 new health clinic to be operated by the South of Market Medical Center Outpatient
17 Improvement Programs, Inc. ("SMHC") and Parcel C will house the 49 affordable family rental
18 units. A separate ground lease will be entered into between the Agency and the SMHC, for
19 the remaining property under, and air rights affecting, Parcels B.
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21 WHEREAS, Although the Property could command a higher rent, leasing the Property
22 for a rent in excess of the stated rent would render it financially infeasible to operate the
23 Project with rent levels affordable to Low Income Households; and,
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1 WHEREAS, Because the Property was purchased with tax increment money, Section
2 33433 of the California Health and safety Code requires the Board of Supervisors' approval of
3 its sale or lease, after a public hearing; and,

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

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

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12 RESOLVED, That the Board of Supervisors of the City and County of San Francisco does
13 hereby find and determine that the lease of the Property from the Agency to Armstrong Place
14 Associates, a California limited partnership: (1) will provide housing for Lower Income
15 Persons; (2) is consistent with the Agency's implementation plan adopted pursuant to
16 California Health and Safety Code Section 33490; (3) the less than fair market value rent of
17 approximately Fifteen Thousand Dollars (\$15,000.00) per year for a period of sixty (60) years
18 is necessary to achieve affordability for Very Low Income Households; and (4) the
19 consideration to be received by the Agency is not less than the fair reuse value at the use and
20 with the covenants and conditions and development costs authorized by the Ground Lease;
21 and, be it

22 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
23 authorizes the Agency to execute the Ground Lease with Mercy Housing California XLI,
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1 substantially in the form of the Ground Lease lodged with the Agency General Counsel, and
2 on behalf of the Agency.

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