

1 [Ground Lease of Redevelopment Agency Land for Dudley Apartments.]

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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 3726, Lot 10, commonly known as 172**  
5 **Sixth Street, to Mercy Housing California XXII, L.P., a California Limited Partnership, for**  
6 **55 years for the purpose of developing housing for very low income households.**

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

11 WHEREAS, The housing development located at Assessor’s Block 3726, Lot 10, more  
12 commonly known as 172 Sixth Street (“the Project”), is a vacant building which may be  
13 converted to permanent, quality, affordable housing for Very Low and Low Income  
14 households, as those terms are defined by the United States Department of Housing and  
15 Urban Development (“HUD”); and

16 WHEREAS, Mercy Housing California XXII, L.P., a California Limited Partnership  
17 (“Developer”), is an entity established to rehabilitate and operate the Project as housing units  
18 for Very Low and Low Income households and acquired the Project on January 2, 2002; and

19 WHEREAS, The Developer has received a tax increment capital loan from the Agency  
20 for the acquisition and rehabilitation of the Project in order to convert the Project to seventy-  
21 five (75) affordable housing units for Very Low and Low Income households; and

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

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\*\*Name of Supervisor/Committee/Department\*\*

1           WHEREAS, the Agency has approved a Housing Opportunities For Persons With AIDS  
2 (“HOPWA”) loan to be used towards rehabilitation of the Property (the “HOPWA Loan” or  
3 “Loan”) in order to develop the 75 units as affordable housing; and

4           WHEREAS, The Developer shall leverage the City’s financial assistance through  
5 applications to the California Tax Credit Allocation Committees for additional Project funding;  
6 and  
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8           WHEREAS, The Agency and the Developer intend to enter into a ground lease  
9 agreement (“the Ground Lease”), in which the Agency will lease the Property for One Hundred  
10 Forty Thousand Dollars (\$140,000.00) per year, with new appraisal adjustments every fifteen  
11 years, of which \$20,000 is due and payable each year with the remainder payable to the  
12 extent income exceeds operations, in exchange for the Developer’s agreement, among other  
13 things, to operate the Project with rent levels affordable to Very Low and Low Income  
14 Households; and

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

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

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

23           WHEREAS, The Agency prepared and submitted a report in accordance with the  
24 requirements of Section 33433 of the Health and Safety Code, including a copy of the  
25 proposed Ground Lease, and a summary of the transaction describing the cost of the Ground

\*\*Name of Supervisor/Committee/Department\*\*

**BOARD OF SUPERVISORS**

1 Lease to the Agency, the value of the property interest to be conveyed, the lease price and  
2 other information was made available for the public inspection; now therefore be it

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4 RESOLVED, That the Board of Supervisors of the City and County of San Francisco  
5 does hereby find and determine that the lease of the Property from the Agency to Mercy  
6 Housing California XXII, L.P., a California Limited Partnership: (1) will provide housing for  
7 Very Low and Low Income Persons; (2) is consistent with the Agency's Citywide Tax  
8 Increment Affordable Housing Program, pursuant to California Health and Safety Code  
9 Section 33342.2, et. seq.; (3) the less than fair market value rent of approximately One  
10 Hundred Forty Thousand Dollars (\$140,000.00) per year, as adjusted per reappraisals every  
11 fifteen years, for a period of fifty-five (55) years is necessary to achieve affordability for Very  
12 Low and Low Income Households; and (4) the consideration to be received by the Agency is  
13 not less than the fair reuse value at the use and with the covenants and conditions and  
14 developments costs authorized by the Ground Lease; and be it

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

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