

1 [Ground Lease of Redevelopment Agency Land for Octavia Court Rental 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 839, Lot 29, commonly known as 301 Oak**
5 **Street/261 Octavia Boulevard, southwest corner of Oak Street and Octavia Boulevard,**
6 **San Francisco, California (the “Site”) in San Francisco’s Central Freeway corridor, to**
7 **OCTAVIA COURT, INC., a California nonprofit public benefit corporation, for 75 years**
8 **for the purpose of developing housing for very low-income developmentally disabled**
9 **adult households.**

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

14 WHEREAS, The Agency-owned parcel located at the southwest corner of Oak Street
15 and Octavia Boulevard, Assessor’s Block 839, Lot 29, San Francisco, California, in San
16 Francisco’s Central Freeway corridor (“Property”; “Site”), is an underutilized lot currently
17 improved by a surface lot that, by Board of Supervisors Resolution No. 824-01, must be
18 developed as permanent, quality, affordable supportive housing for very low-income, disabled
19 individuals (“Project”); and,

20 WHEREAS, The Agency Commission selected Octavia Court, Inc., a California
21 nonprofit public benefit corporation an affiliate of West Bay Housing Corporation and Satellite
22 Housing, Inc. (“Developer”), to develop and operate the Project as housing units for very low-
23 income developmentally disabled adult households; and,

24 WHEREAS, The Agency has provided Developer with financial assistance to leverage
25 equity from an allocation of low-income housing tax credits and other funding sources in order

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1 to construct 14 (plus one manager's unit) units of affordable rental housing, support service
2 space, and ground floor art space and studio space, which financing require that the
3 Developer demonstrate site control; and,

4 WHEREAS, The Agency has proposed a long-term ground lease agreement ("Ground
5 Lease") with the Developer to allow the Developer to construct and operate improvements on
6 the Site while allowing the Agency to ensure that the affordability of the housing is maintained
7 over the long term; and,

8 WHEREAS, The Developer have leveraged the City's financial assistance through
9 successful applications to the U.S. Department of Housing and Urban Development's Section
10 811 Supportive Housing for Persons with Disabilities Program, and the State Housing and
11 Community Development Multifamily Housing Program ("MHP") funding; and,

12 WHEREAS, The Agency and the Developer have entered into an option to ground
13 lease agreement and intend to enter into a ground lease agreement (the "Ground Lease"), in
14 which the Agency will lease the Property for Fifty Thousand Dollars (\$50,000.00) per year, in
15 exchange for the Developer's agreement, among other things, to operate the Project with rent
16 levels affordable to Very Low Income Households, provided, however, that notwithstanding
17 any other provision of this Ground Lease, the Annual Rent shall accrue, but shall not be
18 payable, during the term of the HUD documents, and further, that in the event HUD acquires
19 title to the property through foreclosure or deed-in-lieu of foreclosure, the accrued amount of
20 Annual Rent shall be extinguished. Annual Rent shall be payable from available cash flow
21 and will be due at the end of the Initial Term or after the expiration of the HUD documents,
22 whichever is earlier. However, during the period of the HUD subsidy, the actual lease
23 payment will be One Dollar (\$1.00) in compliance with U.S. Department of Housing and Urban
24 Development's ("HUD") Section 811 Supportive Housing for Persons with Disabilities program
25 regulations; and,

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1 WHEREAS, Although the Property could command a higher rent, leasing the Property
2 for a rent in excess of the stated rent would render it financially infeasible to operate the
3 Project and remain in compliance with HUD 811 regulations and with rent levels affordable to
4 Very Low Income Households; and,

5 WHEREAS, Because the Property was purchased with tax increment money, Section
6 33433 of the California Health and Safety Code requires the Board of Supervisors' approval of
7 its sale or lease, after a public hearing; and,

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

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

15 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
16 does hereby find and determine that the lease of the Property from the Agency to Octavia
17 Court, Inc., a California nonprofit public benefit corporation: (1) will provide housing for very
18 low-income developmentally disabled adults; (2) is consistent with the Agency's citywide Tax
19 Increment Affordable Housing Program, pursuant to California Health and Safety Code
20 Section 33342.2, et. seq.; (3) the less than fair market value rent of approximately One Dollar
21 (\$1.00) per year for a period of seventy-five (75) years is necessary to achieve affordability for
22 Very Low Income Households; and (4) the consideration to be received by the Agency is not
23 less than the fair reuse value at the use and with the covenants and conditions and
24 developments costs authorized by the Ground Lease; and, be it

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1 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
2 authorizes the Agency to execute the Ground Lease of the Property from the Agency to
3 Octavia Court, Inc., a California nonprofit public benefit corporation, substantially in the form
4 of the Ground Lease lodged with the Agency General Counsel, and to take such further
5 actions and execute such documents as are necessary to carry out the Ground Lease on
6 behalf of the Agency.

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