

1 [Redevelopment Agency Lease of Land at 249 Eddy Street, and 161-165 Turk Street to Turk
2 & Eddy Associates, L.P.]

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4 **Resolution approving the Redevelopment Agency of the City and County of San**
5 **Francisco's lease of land at 249 Eddy Street, and 161-165 Turk Street, in San Francisco,**
6 **California to Turk & Eddy Associates, L.P., a California limited partnership, an affiliate**
7 **of Tenderloin Neighborhood Development Corporation, a California nonprofit public**
8 **benefit corporation for 55 years with an option to extend for 44 years for the purpose of**
9 **preserving housing for very low-income seniors and disabled persons.**

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11 WHEREAS, The Agency and the City desire to preserve the City's supply of affordable
12 housing and encourage the rehabilitation of affordable housing by providing financial and
13 other forms of assistance; and

14 WHEREAS, The Tenderloin Neighborhood Development Corporation ("TNDC") applied
15 to the Agency for an acquisition loan in an amount not to exceed Seven Million Sixty-Four
16 Thousand Eight Hundred Thirty-One Dollars (\$7,064,831) to finance the acquisition of the
17 land and a portion of the buildings and additional expenses of the real properties located at
18 249 Eddy Street, Block 0339, Lot 15A, and 161-165 Turk Street, Block 0343, Lot 017 in San
19 Francisco, California (the "Properties"); and,

20 WHEREAS, Turk & Eddy Associates, L.P., a California limited partnership (the
21 "Tenant"), is an affiliate of Tenderloin Neighborhood Development Corporation, a California
22 nonprofit public benefit corporation, and desires to enter into a ground lease with the Agency;
23 and

24 WHEREAS, TNDC entered into a Purchase and Sale Agreement dated September 8,
25 2006 with Aspen Tenderloin Apartments Company, a California limited partnership, to

1 purchase the Properties and holds the fee title in trust for the Agency. At or prior to the close
2 of Tenant's construction financing, TNDC will transfer fee title to the Site less the
3 improvements to the Agency as partial payment of the loan for the credited amount of Three
4 Million Seven Hundred Twenty-Eight Thousand Five Hundred Seventy-One Dollars
5 (\$3,728,571). TNDC will also concurrently transfer the improvements to Tenant and Tenant
6 will assume the remaining balance of the Agency loan; and,

7 WHEREAS, The Agency has proposed a long-term ground lease agreement ("Ground
8 Lease") with the Tenant to allow for the operation of the improvements at the Properties while
9 allowing the Agency to ensure that the affordability of the housing is maintained over the long
10 term; and,

11 WHEREAS, The rehabilitation plan will preserve the 55 studio units at 249 Eddy Street
12 with approximately 30,185 gross square feet and the 22 studio units plus 5 one-bedroom units
13 at 161-165 Eddy with approximately 17,400 gross square feet (the "Project"); and

14 WHEREAS, The long-term financing plan for the Project includes the leveraging of
15 Agency funds that will pay for a portion of the acquisition and development costs, through
16 successful financial applications for construction and permanent funding from a commercial
17 lender acceptable to the Agency, "Section 1602" funds from the California Tax Credit
18 Allocation Committee, Affordable Housing Program funds, and income from operations and
19 deferred developer fees. Tenant anticipates that the Project will be completed and occupied
20 in 2010; and

21 WHEREAS, The Agency and the Tenant have entered into the Ground Lease, in which
22 the Agency will lease the Properties for Three Hundred Forty Thousand Dollars (\$340,000)
23 per year, in exchange for the Tenant's agreement, among other things, to operate the Project
24 with rent levels affordable to Very Low Income Households, provided, however, that
25 notwithstanding any other provision of the Ground Lease, the Annual Rent shall accrue, of

1 which Fifteen Thousand Dollars (\$15,000) is due and payable each year. The remainder of
2 each annual lease payable to the extent the Project's annual operation income exceeds
3 annual operating expenses, required reserves and approved fees; and

4 WHEREAS, Because the Properties were purchased with tax increment funds, Section
5 33433 of the California Health and Safety code requires the Board of Supervisors' approval of
6 its sale or lease, after a public hearing; and,

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

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

14 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
15 does hereby find and determine that the lease of the Properties from the Agency to Turk &
16 Eddy Associates, L.P., a California limited partnership: (1) will provide housing for very low-
17 income persons; (2) is consistent with the Agency's Citywide Tax Increment Affordable
18 Housing Program, pursuant to California Health and Safety Code Section 33342.2, et. Seq.;
19 and (3) the consideration to be received by the Agency is not less than the fair reuse value at
20 the use and with the covenants and conditions and development costs authorized by the
21 Ground Lease; and, be it

22 FURTHER RESOLVED, That the Board of Supervisors hereby approves and
23 authorizes the Agency to execute the Ground Lease of the Properties from the Agency to Turk
24 & Eddy Associates, L.P., a California limited partnership, substantially in the form of the
25 Ground Lease lodged with the Agency General Counsel.