File No. 120708 Committee Item No. 3
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight **Date** July 30, 2012

Board of Supervisors Meeting **Date** _____

Cmte	Board	
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OTHER **(Use back side if additional space is needed)**

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Completed by: Rana Calonsag **Date** July 23, 2012
Completed by: _____ **Date** _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

FILE NO. 120708 RESOLUTION NO.

[Grant Agreement - Local Operating Subsidy Program at the Arlington Hotel - Not to Exceed $9,354,007]

Resolution authorizing the Director of the Mayor's Office of Housing to execute a Local Operating Subsidy Program Grant Agreement with Mercy Housing California XL, LP, to provide operating subsidies for formerly homeless single adults at the Arlington Hotel for the period of August 1, 2012, to July 31, 2027, in an amount not to exceed $9,354,007.

WHEREAS, The Mayor's Office of Housing (MOH) administers a variety of housing programs that provide financing for the development of new housing and the rehabilitation of single-and multi-family housing for low-and moderate-income households in San Francisco; and

WHEREAS, In June 2006, the City and County of San Francisco published its "Ten Year Plan to End Chronic Homelessness," and established a goal of creating 3,000 permanent affordable housing units for homeless households by 2016; and

WHEREAS, MOH developed the Local Operating Subsidy Program (LOSP) in order to establish long-term financial support to operate and maintain permanent affordable housing for homeless households. Through the LOSP, the City subsidizes the difference between the cost of operating housing for homeless persons and all other sources of operating revenue for a given project, such as tenant rental payments, commercial space lease payments, Stewart B. McKinney Homeless Assistance Act subsidies, project-based Section 8 rent subsidies and California Mental Health Services Act operating subsidies; and

WHEREAS, All supportive housing projects selected for capital funding by the Citywide Affordable Housing Loan Committee (Loan Committee) pursuant to a competitive Notice of Funding Availability (NOFA) or Request for Proposals (RFP)

process and intended to serve homeless individuals or families are eligible to receive LOSP funds; and

WHEREAS, The Board of Supervisors authorizes City funding for LOSP projects as part of the Annual Appropriation Ordinance; and

WHEREAS, MOH enters into grant agreements with supportive housing owners and operators for LOSP projects in consultation with the Department of Public Health (DPH) and Human Services Agency (HSA), fiscally administers LOSP contracts, reviews annual audits and prepares recommendations for annual adjustments to project funding, monitors compliance with LOSP requirements as part of monitoring compliance with capital funding regulatory agreements, and if necessary, takes appropriate action to enforce compliance; and

WHEREAS, Mercy Housing California XL, LP is a California limited partnership for which Mercy Housing Calwest, a California nonprofit public benefit corporation, is its general partner; and

WHEREAS, Mercy Housing California XL, LP is the owner and developer of the Arlington Hotel, a 153-unit single room occupancy hotel located at 480 Ellis Street; and

WHEREAS, On March 9, 2012, the Loan Committee recommended approval to the Mayor of a 15-year LOSP contract not to exceed $9,354,007 with Mercy Housing California XL, LP for the Arlington Hotel; now, therefore, be it

RESOLVED, That the Board of Supervisors hereby authorizes the Director of MOH or his designee to execute the LOSP Grant Agreement (Agreement) for an amount not to exceed $9,354,007, in substantially the form on file with the Clerk of the Board, and in such final form as approved by the Director of MOH and the City Attorney;

and be it

FURTHER RESOLVED, That this Board of Supervisors authorizes MOH to proceed with actions necessary to implement the Agreement following execution, and ratifies, approves and authorizes all actions heretofore taken by any City official in connection with such Agreement; and be it

FURTHER RESOLVED, That this Board of Supervisors hereby authorizes the Director of MOH or his designee to enter into any amendments or modifications to the Agreement, including without limitation, the exhibits, that the Director determines, in consultation with the City Attorney, are in the best interest of the City, do not materially increase the obligations or liabilities for the City or materially diminish the benefits of the City, are necessary or advisable to effectuate the purposes and intent of this Resolution and are in compliance with all applicable laws, including the City Charter.

RECOMMENDED:

Brian Cheu
Director of Community Development
Mayor's Office of Housing

File No: 120708

FORM SFEC-126
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Government Conduct Code § 1.126)

City Elective Officer Information (*Please print clearly*)	
Name of City elective officer(s): Members, San Francisco Board of Supervisors	City elective office(s) held: Members, San Francisco Board of Supervisors

Contractor Information (*Please print clearly*)

Name of Contractor: Mercy Housing Calwest, managing general partner of Mercy Housing California XLV, L.P.

Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent of more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.

1) Valerie Agostino, Chair; Vince Dodds, Doug Shoemaker
2) Jane Graf, President; Valerie Agostino, Vice-President; Barbara Gualco, Vice-President; Stephan Daues, Vice-President; Ben Phillips, Vice-President; Doug Shoemaker, Vice-President; Ed Holder, Vice-President; Lillian Murphy, Vice-President; Vince Dodds, Vice-President/Treasurer; Amy Bayley, Secretary; Patricia O' Roark, Assistant Secretary.
3) N/A
4) N/A
5) N/A

Contractor address: 1360 Mission Street, San Francisco, CA 94103

Date that contract was approved:	Amount of contract: $9,354,007

Describe the nature of the contract that was approved:
Local Operating Subsidy Program Contract for 15 years of housing subsidies to operate and maintain housing for formerly homeless single adults. 80 units in Year One, increasing by 5 units per year to a total of 129 subsidized units.

Comments:

This contract was approved by (check applicable)

☐ The City elective officer(s) identified on this form

☑ A board on which the City elective officer(s) serves — San Francisco Board of Supervisors
Print Name of Board

☐ The board of a state agency (Health Authoirty, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on the form sits

Print Name of Board

Filer Information (*Please print clearly*)	
Name of filer: Angela Calvillo Clerk of the San Francisco Board of Supervisors	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: BOS.Legislation@sfgov.org

Signature of the Elective Officer (if submitted by City elective officer) — Date Signed

Signature of Board Secretary or Clerk (if Submitted by Board Secretary or Clerk) — Date Signed

File #120708
Item #3

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

July 24, 2012

TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst

SUBJECT: July 30, 2012 Special Government Audit and Oversight Committee Meeting

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Item 3 File 12-0708	Department: Mayor's Office of Housing (MOH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes the Mayor's Office of Housing (MOH) to enter into a 15-year agreement with Mercy Housing California XL, LP (Mercy), a nonprofit organization, for an amount not to exceed $9,330,007, in which MOH would pay operating subsidies to Mercy to provide at least 80 units of supportive housing in the Arlington Hotel under MOH's Local Operating Subsidy Program. The proposed agreement would be effective from September 1, 2012 to July 31, 2027.

Key Points

- The Mayor's Office of Housing (MOH), in collaboration with the Department of Public Health (DPH) and the Human Services Agency (HSA), currently provides operating subsidies to owners and operators of 15 supportive housing facilities through its Local Operating Subsidy Program, which was created to bridge the gap between the cost of providing the housing and the amount that tenants can afford to pay (between 35% and 50% of their annual income). Tenants in supportive housing generally have very low incomes (10-15% of Area Median Income).
- In FY 2011-12, MOH paid $5,063,967 in Local Operating Subsidy Program operating subsidies to supportive housing operators for approximately 788 housing units throughout the City (or an average subsidy of $536 per unit per month). Under the proposed agreement, MOH, through its subsidy program, would pay Mercy $257,109 for operating at least 80 Arlington Hotel supportive housing units for 10 months in FY 2012-13, with an estimated average subsidy of $321 per unit per month for 80 housing units.
- The Citywide Affordable Housing Loan Committee approved Mercy for operating subsidies under the Local Operating Subsidy Program in accordance with the Committee's policy to consider and potentially offer funding to nonprofit housing developers who identify or purchase property for affordable housing development. Mercy purchased the Arlington Hotel in 2006 and a renovation of the housing units covered by the proposed agreement will be completed by August 15, 2012.

Fiscal Impacts

- The estimated operating subsidy in FY 2012-13 of $321 per unit per month for 80 units is based on the difference between tenants' estimated rent payments of approximately $339 per housing unit per month, on average, and Mercy's estimated costs to operate the units of $660 per unit per month. Operating costs include property management and office staff, utilities, taxes and licenses, insurance, maintenance, security, reserve deposits, and debt service.
- Under the proposed agreement between MOH and Mercy, the amount of the subsidy to be paid to Mercy will be adjusted annually based on MOH's review of the Arlington Hotel's occupancy rate and Mercy's actual operating expenditures. Funding for the proposed agreement is subject to Board of Supervisors appropriation approval. The DPH FY 2012-13 and FY 2013-14 budgets contain General Fund appropriations for Local Operating Subsidy Program subsidies payable to Mercy for the Arlington Hotel housing units.

Recommendations

- Approve the proposed resolution.
- Request that MOH include an update on the Local Operating Subsidy Program in their annual report submitted to the Board of Supervisors on supportive housing.

MANDATE STATEMENT AND BACKGROUND

Mandate Statement

Pursuant to San Francisco Charter Section 9.118, agreements of $10,000,000 or more, or for a term of more than ten years, are subject to Board of Supervisors approval.

Background

Local Operating Subsidy Program

The Mayor's Office of Housing (MOH), in collaboration with the Department of Public Health (DPH) and the Human Services Agency (HSA), currently provides operating subsidies to owners and operators of 15 supportive housing facilities through its Local Operating Subsidy Program The program was started in 2004 as a part of the Mayor's ten year "San Francisco Plan to End Chronic Homelessness," which has a goal of providing 3,000 new supportive housing units between 2006 and 2017 to low income persons who were formerly homeless. Supportive housing provides social and other related services as well as housing to formerly homeless persons in order to improve their social outcomes and in an attempt to reduce the City's associated health, mental health, social services, criminal justice, and other related costs.

According to Ms. Lydia Ely, MOH Project Manager, tenants in supportive housing have very low incomes (10-15% of Area Median Income, or $7,210 to $10,815 annually in 2012).[1] Under the agreements between the City and housing operators, rent in supportive housing units is capped to a fixed percentage of a tenant's income (50% in DPH subsidized units, 35% in HSA subsidized units). The Local Operating Subsidy Program was created to bridge the gap between the cost of operating the housing and the amount the tenants can afford to pay, thereby providing long-term financial incentives to owners and operators to create permanent supportive housing units and keep their units affordable for the long term.

General Fund monies for the 15 existing operating subsidy agreements are funded in the DPH and HSA budgets, depending on whether the housing units are sponsored by DPH or HSA, and are subject to Board of Supervisors appropriations approval. The funds for the operating subsidies are then work-ordered to MOH, which manages the Local Operating Subsidy Program.

In FY 2011-12, MOH paid $5,063,967 in Local Operating Subsidy Program operating subsidies to supportive housing operators for approximately 788 units throughout the City. According to Ms. Ely, the Local Operating Subsidy Program is projected to subsidize approximately 1,456 units of supportive housing by the end FY 2016-17.

As shown on Table 1 below, in FY 2011-12 the Local Operating Subsidy Program provided subsidies under 15 housing agreements covering 788 units of supportive housing, at an average cost per unit per month of $536.

[1] The Area Median Income for a single-person household in the San Francisco region, as defined by the federal Department of Housing and Urban Development is $72,100 in 2012.

Table 1
Actual Local Operating Subsidy Program Agreements, Subsidized Units, Budget, and Subsidy per Unit
FY 2007-08 through FY 2011-12

Fiscal Year	Number of Local Operating Subsidy Program agreements	Number of subsidized units	Total annual budgeted amount ($)	Average subsidy per unit per month ($)
FY 2007-08	5	192	$370,093	$161
FY 2008-09	6	277	1,586,757	477
FY 2009-10	10	557	3,588,812	537
FY 2010-11	14	668	4,937,351	616
FY 2011-12	15	788	5,063,967	536*

As shown on Table 2 below, MOH estimates that by FY 2016-17, the Local Operating Subsidy Program will provide subsidies to 29 housing projects covering 1,456 units of supportive housing under the Local Operating Subsidy Program, at an average cost per unit per month of $658.

Table 2
Estimated Local Operating Subsidy Program Agreements, Subsidized Units, Budget, and Subsidy per Unit
FY 2012-13 through FY 2016-17

Fiscal Year	Number of Local Operating Subsidy Program agreements	Number of subsidized units	Total annual budgeted amount ($)	Average subsidy per unit per month ($)
FY 2012-13	21	1,260	6,635,497	$439*
FY 2013-14	28	1,423	10,024,006	587
FY 2014-15	28	1,427	10,767,674	629
FY 2015-16	29	1,451	11,259,355	647
FY 2016-17	29	1,456	11,494,942	658

* In FY 2012-13 and FY 2013-14, the average subsidy per unit per month reflects the addition of several projects that will be managed by MOH and DPH through the Local Operating Subsidy Program but are primarily being funded through non-General Fund sources.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the Mayor's Office of Housing (MOH) to enter into a 15-year agreement with Mercy Housing California XL, LP (Mercy), a nonprofit organization, for an amount not to exceed $9,330,007 (see Table 3 below), in which MOH, through the Local Operating Subsidy Program, will pay subsidies to Mercy to provide at least 80 units of supportive housing in the Arlington Hotel. The proposed agreement would be effective from September 1, 2012 to July 31, 2027. Funding for the proposed agreement is General Fund monies appropriated annually in the Department of Public Health (DPH) budget and is subject to Board of Supervisors appropriation approval. The proposed agreement is administered by MOH, under a work order agreement between DPH and MOH.

Mercy Housing

Mercy Housing California XL, LP (Mercy) and its non-profit benefit corporation partner Mercy Housing Calwest, is an affordable housing owner and developer currently operating 2,289 housing units in San Francisco, including a range of multi-family, senior, and supportive housing facilities.

The Arlington Hotel

The Arlington Hotel is a four story single room occupancy (SRO) hotel located at 480 Ellis Street. Mercy purchased the Arlington Hotel in 2006, and began negotiations with the Department of Public Health to identify permanent operating subsidies. Following the receipt of two predevelopment loans from the City, Mercy initiated a $22 million retrofit using a combination of Federal, State, and local public funding – including a $15 million loan from the City's Seismic Safety Loan Program – as well as a private construction loan. The construction is anticipated to be completed on August 15, 2012, and the remodeled facility will have 154 single room units.

Approval of Local Operating Subsidy Program Providers

According to Ms. Ely, DPH, HSA and MOH selected the 15 existing Local Operating Subsidy Program providers during review, by the Citywide Affordable Housing Loan Committee[2], of applications responding to various Notice of Funding Availability (NOFA) for capital funding for acquisition and predevelopment financing for supportive housing for homeless persons, or Request for Proposals (RFP) for specific development sites.

Ms. Ely stated that the operating subsidies to be paid to affordable housing operators are necessary because revenue generated by the affordable housing developments, including tenant rents, are not sufficient to secure financing, such as Federal tax credits, for construction of affordable housing.

The Citywide Affordable Housing Loan Committee approved Mercy for the subsidies under the Local Operating Subsidy Program, in accordance with the Committee's policy to consider and potentially offer funding to nonprofit housing developers who are able to identify or purchase residential facilities for affordable housing development. The Committee considered Mercy for

[2] The Citywide Affordable Housing Loan Committee is composed of the Directors of the Mayor's Office of Housing, the Department of Public Health, and the Human Services Agency, or their designees.

the operating subsidy funding following a request for funds from Mercy related to the renovation and preservation of the Arlington Hotel.

Number of Arlington Hotel Units Subsidized by the Local Operating Subsidy Program

In the first year of the agreement, of the 154 units in the Arlington Hotel:

- 80 units will be designated as subsidized units under the Local Operating Subsidy Program;
- One unit is occupied by the housing manager; and
- 73 units are occupied by current tenants and will not be subsidized.

Of the 73 currently occupied units not subsidized by the Local Operating Subsidy Program, 24 are occupied the Housing and Urban Development (HUD) Chronic Inebriate operating subsidy (managed by DPH) and will remain designated for that purpose for the duration of the proposed agreement. The remaining 49 units will be converted to subsidized units under the Local Operating Subsidy Program through attrition over the 15-year term of the agreement. Based on experience with the current tenants, Mercy estimates that approximately 5 additional units will be added under the agreement each year (see Table 3 below).

Operating Expenditures Subsidized by the Local Operating Subsidy Program

Under the proposed agreement for the Arlington Hotel, the rent charged to tenants subsidized units under the Local Operating Subsidy Program is capped at a maximum of 50% of a Tenant's gross monthly income. According to Ms. Ely, MOH estimates that the average tenant's rent will range from approximately $340 to $360 per unit per month. The projected subsidy amount for the units covered under the proposed agreement (as shown in Table 3 below) is the difference between the estimated rent paid by the tenants and a contracted rent rate of $660 per unit per month, which Mercy determined to be the minimum amount necessary to cover operating expenses, which includes property management and office staff, utilities, taxes and licenses, insurance, maintenance, security, reserve deposits, and debt service.

According to Ms. Ely, MOH and Mercy agreed to this contracted rent rate of $660 per unit per month in 2007, and it is the lowest such rate among comparable agreements for single room occupancy (SRO) supportive housing. The amount of the projected subsidy is specified in Exhibit A of the proposed agreement, and (a) is subject to revision annually by MOH based on the prior years' occupancy, and (b) is contingent on the annual General Fund appropriation to DPH by the Board of Supervisors (see "Fiscal Impacts" section below).

Mercy's operating expenditures for the Arlington Hotel, subsidized by the Local Operating Subsidy Program, include the salary and fringe benefits for one Resident Services Coordinator II to provide services to tenants in the Local Operating Subsidy Program-subsidized units. In addition, Mercy will also hire one Resident Services Coordinator II and one Resident Services Manager, through a separate agreement with DPH.[3]

[3] Tenants of the HUD-supported 24 units of chronic inebriate housing will also receive additional supportive services through DPH's Fully Integrated Services Recovery Team (SF FIRST). These units are not subsidized through the Local Operating Subsidy Program.

FISCAL IMPACTS

As shown in Table 3 below, the Arlington Hotel will receive subsidies under the Local Operating Subsidy Program for 80 units in FY 2012-13 at an average estimated subsidy of $321 per unit per month (based on 10 months from September 1, 2012 through June 30, 2013). Based on the estimate of 5 additional subsidized units per year over the 15-year term of the agreement, the Arlington Hotel will receive subsidies under the Local Operating Subsidy Program for 129 units in FY 2026-27 (the final full year of the agreement) at an average estimated subsidy of $621 per unit per month.

Table 3
Projected Subsidy Expenditures for the Arlington Hotel under the Proposed Agreement

Fiscal Year	Months of Contract	Projected Local Operating Subsidy Program Expenditure	Local Operating Subsidy Program Units at the Arlington (estimated)	Average Local Operating Subsidy Program Subsidy Per Unit Per Month
FY 2012-13	10	$257,109	80	$321
FY 2013-14	12	340,640	85	334
FY 2014-15	12	378,871	90	351
FY 2015-16	12	419,953	95	368
FY 2016-17	12	464,048	100	387
FY 2017-18	12	511,322	105	406
FY 2018-19	12	561,950	110	426
FY 2019-20	12	616,116	115	446
FY 2020-21	12	674,013	120	468
FY 2021-22	12	696,889	125	465
FY 2022-23	12	744,287	129	481
FY 2023-24	12	817,888	129	528
FY 2024-25	12	857,012	129	554
FY 2025-26	12	897,715	129	580
FY 2026-27	12	940,057	129	607
FY 2027-28	1	80,137	129	621
Reserve[1]		72,000		
TOTAL:	**179**	**$9,330,007**	**15 Year Average:**	**$466**

[1] The proposed agreement includes a one-time reserve of $72,000, to be paid in the first year of the agreement. The reserve is to be used to pay for operating subsidies in the event that attrition occurs more rapidly than anticipated, and the Arlington Hotel can make more of the housing units available for tenants under the Local Operating Subsidy Program prior to FY 2023-24, which is the year MOH projects that all 129 housing units will be subsidized under this agreement.

MOH and Mercy determined the subsidy amount, based on Mercy's estimated operating costs per unit per month of $660, less average rent to be paid by tenants of $339 per unit per month, or approximately $321 per unit per month in the first year. Under the proposed agreement, the amount of the subsidy will be adjusted annually by MOH, based on Arlington Hotel's occupancy and Mercy's actual operating expenditures.

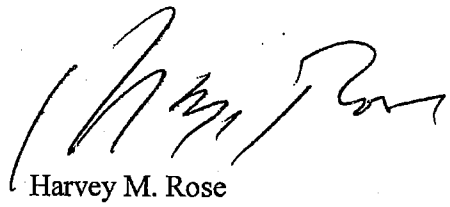
The DPH budgets for FY 2012-13 and FY 2013-14 include General Fund appropriations of $329,109[4] and $340,640, respectively, for Local Operating Subsidy Program subsidies to the Arlington Hotel, subject to Board of Supervisors final appropriation approval.

POLICY CONSIDERATIONS

The Budget and Legislative Analyst's January 2012 Performance Audit of San Francisco's Affordable Housing Policies recommended that MOH report annually to the Board of Supervisors on (a) completed and planned supportive housing units for chronically homeless individuals and families, and (b) funding strategies for planned but not constructed units. The Budget and Legislative Analyst recommends that MOH include in its annual report to the Board of Supervisors an update on the Local Operating Subsidy Program.

RECOMMENDATIONS

1. Approve the proposed resolution.
2. Request that MOH include an update on the Local Operating Subsidy Program in the MOH annual report submitted to the Board of Supervisors on supportive housing.



Harvey M. Rose

cc: Supervisor Farrell
Supervisor Elsbernd
President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Chu
Supervisor Cohen
Supervisor Kim
Supervisor Mar
Supervisor Olague
Supervisor Wiener
Clerk of the Board
Cheryl Adams
Mayor Lee
Controller
Kate Howard

[4] Includes $257,109 for subsidy payments and $72,000 for the reserve.

MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE
MAYOR

OLSON LEE
DIRECTOR

June 18, 2012

City and County of San Francisco
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Resolution Authorizing the Director of the Mayor's Office of Housing to execute a Local Operating Subsidy Program Grant Agreement with Mercy Housing California XL, LP, to provide operating subsidies for formerly homeless single adults at the Arlington Hotel for the period of August 1, 2012 to July 31, 2027, in an amount not to exceed $9,354,007.

With this memo, I am submitting to you for introduction at the Board of Supervisors meeting on June 19, 2012, a resolution regarding a Local Operating Subsidy Program (LOSP) Contract with Mercy Housing California XL, LP, for the Arlington Hotel. The Arlington Hotel is an existing affordable housing development owned by Mercy Housing California XL, LP, and is currently undergoing a $22 million renovation. On August 1, 2012, the project will be ready for occupancy by homeless single adults referred by the Department of Public Health's Direct Access to Housing Program. The attached resolution would authorize Olson Lee, as Director of this office, to execute the LOSP Agreement in an amount not to exceed $9,354,007, to proceed with actions necessary to implement the Agreement, and to enter into any amendments or modifications to the Agreement, in consultation with the City Attorney.

The Arlington Hotel is a 153-unit affordable Single Room Occupancy (SRO) building located at 480 Ellis Street in the Tenderloin. In 2012 it will serve 80 formerly homeless households ranging from 35%-50% AMI; each year an additional 5 subsidized units will be added, up to a maximum of 129 units.

In order to meet the deadline of executing the contract by August 1, 2012, the resolution must be introduced at the Board of Supervisors no later than June 19, 2012, and return to the full Board for approval at its July 31, 2012 meeting. We would appreciate any assistance you can provide to help meet this schedule so that the formerly homeless residents can occupy the project as scheduled on August 1.

1 South Van Ness Avenue, Fifth Floor, San Francisco, CA 94103
Phone: (415) 701-5500 Fax: (415) 701-5501 TDD: (415) 701-5503 www.sfgov.org/moh

The resolution is attached, as is the substantially final form of the Local Operating Subsidy Grant Agreement with Mercy Housing California XL, LP. If you have any questions about the resolution or the project, please contact Lydia Ely at 701-5519.

Thank you,

Brian Cheu (for Olson Lee)
Director of Community Development
Mayor's Office of Housing

CITY AND COUNTY OF SAN FRANCISCO
MAYOR'S OFFICE OF HOUSING

GRANT AGREEMENT

between

CITY AND COUNTY OF SAN FRANCISCO

and

MERCY HOUSING CALIFORNIA XL, L.P.

for

the Arlington Hotel
480 Ellis Street

Document is available at the Clerk's Office Room 244, City Hall
FILE #120708

THIS GRANT AGREEMENT (this "**Agreement**") is made this July ___, 2012 the "**Agreement Date**"), by and between MERCY HOUSING CALIFORNIA XL, L.P., a California limited partnership ("**Grantee**"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**") acting by and through the Mayor's Office of Housing ("**MOH**").

WITNESSETH:

WHEREAS, Grantee submitted Application Documents (as hereinafter defined) to the San Francisco MOH in 2007 for development funds, and has subsequently requested a grant through MOH's Local Operating Subsidy Program ("**Program**"); and

WHEREAS, City desires to provide such a grant on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Specific Terms. Unless the context otherwise requires, the following capitalized terms (whether singular or plural) shall have the meanings set forth below:

"**ADA**" shall mean the Americans with Disabilities Act (including all rules and regulations thereunder) and all other applicable federal, state and local disability rights legislation, as the same may be amended, modified or supplemented from time to time.

"**Additional Leasing Date**" shall have the meaning given to it in Section 4.1.

"**Agreement Date**" means the date this Agreement is duly executed and delivered by Grantee and MOH.

Re: Government Audit & Oversight Committee-7/26/12 Draft Agenda
Angela Calvillo
to:
Catherine Stefani
07/19/2012 10:20 AM
Cc:
Andres Power, Margaux Kelly, Rick Caldeira, Rana Calonsag
Hide Details
From: Angela Calvillo/BOS/SFGOV
To: Catherine Stefani/BOS/SFGOV,
Cc: Andres Power/BOS/SFGOV, Margaux Kelly/BOS/SFGOV, Rick Caldeira/BOS/SFGOV, Rana Calonsag/BOS/SFGOV
Sounds fine thank you.

On Jul 19, 2012, at 9:34 AM, "Catherine Stefani" <Catherine.Stefani@sfgov.org> wrote:

Hi Angela -

Thank you for your response. I just spoke with Andres Power in Supervisor Wiener's office and he stated that they only need one of the items to go as a committee report. File No. 120671 [Police Code - Repeal Secondhand Dealer and Antique Dealer Permit Requirements]. The urgency rests in the fact that the businesses subject to the current law are being threatened with jail time for not complying with a provision in the law that Supervisor Wiener is trying to change through this legislation. Please let me or Andres know if you have any questions.

Thus, the only items that will need to come out of GAO as a committee report and be on the Board Agenda for July 24th are the following:

File No. 120671 - [Police Code - Repeal Secondhand Dealer and Antique Dealer Permit Requirements]
File No. 120708 - [Grant Agreement - Local Operating Subsidy Program at the Arlington Hotel - Not to Exceed $9,354,007]

Thanks!

Catherine Stefani
Legislative Aide
Office of Supervisor Mark E. Farrell
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Phone: (415) 554-7752
Fax: (415)554-7843
Angela Calvillo---07/18/2012 05:58:04 PM---Approved, Thank you Angela Calvillo

From: Angela Calvillo/BOS/SFGOV

To: Rick Caldeira/BOS/SFGOV@SFGOV, Catherine Stefani/BOS/SFGOV@SFGOV
Cc: andres.power@sfgov.org, Lydia Ely/OCDHH/MAYOR/SFGOV@SFGOV, Margaux Kelly/BOS/SFGOV@SFGOV
Date: 07/18/2012 05:58 PM
Subject: Fw: Government Audit & Oversight Committee-7/26/12 Draft Agenda

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Approved, Thank you

Angela Calvillo
Clerk of the Board

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http://www.sfgov.org/site/bdsupvrs_form.asp?id=18548

----- Forwarded by Angela Calvillo/BOS/SFGOV on 07/18/2012 06:01 PM -----

From: Catherine Stefani/BOS/SFGOV
To: Rick Caldeira/BOS/SFGOV@SFGOV
Cc: Angela Calvillo/BOS/SFGOV@SFGOV, andres.power@sfgov.org, Lydia Ely/OCDHH/MAYOR/SFGOV@SFGOV, Margaux Kelly/BOS/SFGOV@SFGOV
Date: 07/18/2012 05:37 PM
Subject: Fw: Government Audit & Oversight Committee-7/26/12 Draft Agenda

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Hey there -

Please note that there are pending requests for committee reports for the following items that are expected to be heard in GAO on Monday, July 30th: (note we have to cancel the July 26th GAO meeting)

File Nos. 120671 and 120672 (Supervisor Wiener's request should be made soon)
File No. 120708 (Lydia Ely with MOH sent in her request to Angela)

I just want to make sure that these items make the Board agenda for Tuesday. Please let me know if you have any questions.

Sincerely,

Catherine Stefani
Legislative Aide
Office of Supervisor Mark E. Farrell
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Phone: (415) 554-7752
Fax: (415)554-7843
----- Forwarded by Catherine Stefani/BOS/SFGOV on 07/18/2012 05:36 PM -----

From: Rana Calonsag/BOS/SFGOV
To: Catherine Stefani/BOS/SFGOV@SFGOV
Date: 07/16/2012 12:50 PM
Subject: Re: Government Audit & Oversight Committee-7/26/12 Draft Agenda

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Please review and approve:
(See attached file: GAO-July 26 DRAFT AGENDA.pdf)

Rana Calonsag
Board of Supervisors-Clerk's Office
415-554-7718
rana.calonsag@sfgov.org

Complete a Board of Supervisors Customer Satisfaction form by clicking the link below.
http://www.sfbos.org/index.aspx?page=104

Rana Calonsag---07/16/2012 09:49:08 AM---Hi Catherine, Below is what I have on the calendar for next week's GAO Meeting. Please review and ad

From: Rana Calonsag/BOS/SFGOV
To: Catherine Stefani/BOS/SFGOV@SFGOV,
Date: 07/16/2012 09:49 AM
Subject: Government Audit & Oversight Committee-7/26/12 Draft Agenda

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Hi Catherine,
Below is what I have on the calendar for next week's GAO Meeting. Please review and advise on any additions or changes. I will be out of the office tomorrow (7/17) and Wednesday (7/18). Please confirm as soon as possible. Thank you.

⇒ 120671 Repeal Secondhand Dealer & Antique Dealer Permit Requirements
⇒ 120672 Dogs Fastened to Lamp Post, Hydrant or Tree
⇒ 120708 Resolution authorizing the Director of the Mayor's Office of Housing to execute a Local Operating Subsidy Program Grant Agreement with Mercy Housing California

Rana Calonsag
Board of Supervisors-Clerk's Office
415-554-7718
rana.calonsag@sfgov.org

Complete a Board of Supervisors Customer Satisfaction form by clicking the link below.
http://www.sfbos.org/index.aspx?page=104

<GAO-July 26 DRAFT AGENDA.pdf>

120708

Request for Committee Report - File No.

Lydia Ely to: Angela Calvillo 07/18/2012 05:19 PM
Rick Caldeira, peggy.nevin,
Cc: Rana Calonsag, Catherine
Stefani, Alisa Miller

Dear Angela,
We are writing to request a Committee Report for File No. 120708, a resolution sponsored by the Mayor and Supervisor Kim related to a contract for Local Operating Subsidy Program (LOSP) subsidies to formerly homeless individuals at the Arlington Hotel.

The item is scheduled to go to the Government Audit and Oversight Committee on July 26, though I understand that meeting may be rescheduled for July 30. We have met with Sup. Farrell, who chairs the committee, and with committee member Sup. Elsbernd, and both support the request for a Committee Report.

A Committee Report will allow the full Board to hear the item on July 31, before the recess. This is urgent because we need to execute the contract for the housing units in mid-August 2012, before the 80 formerly homeless tenants can occupy their newly renovated units.

Any help you could provide to facilitate this request is greatly appreciated.

Thanks very much.

Lydia Ely
Project Manager
Mayor's Office of Housing
1 South Van Ness Avenue, 5th floor
San Francisco, CA 94103
www.sf-moh.org
(415) 701-5519
Fax (415) 701-5501
Lydia.Ely@sfgov.org

FILE NO. RESOLUTION NO.

[Local Operating Subsidy Program Contract – Arlington Hotel – Not to Exceed $9,354,007]

Resolution authorizing the Director of the Mayor's Office of Housing to execute a Local Operating Subsidy Program Grant Agreement with Mercy Housing California XL, LP, to provide operating subsidies for formerly homeless single adults at the Arlington Hotel for the period of August 1, 2012 to July 31, 2027, in an amount not to exceed $9,354,007.

WHEREAS, The Mayor's Office of Housing (MOH) administers a variety of housing programs that provide financing for the development of new housing and the rehabilitation of single-and multi-family housing for low-and moderate-income households in San Francisco; and

WHEREAS, In June 2006, the City and County of San Francisco published its "Ten Year Plan to End Chronic Homelessness," and established a goal of creating 3,000 permanent affordable housing units for homeless households by 2016; and

WHEREAS, MOH developed the Local Operating Subsidy Program (LOSP) in order to establish long-term financial support to operate and maintain permanent affordable housing for homeless households. Through the LOSP, the City subsidizes the difference between the cost of operating housing for homeless persons and all other sources of operating revenue for a given project, such as tenant rental payments, commercial space lease payments, Stewart B. McKinney Homeless Assistance Act subsidies, project-based Section 8 rent subsidies and California Mental Health Services Act operating subsidies; and

WHEREAS, All supportive housing projects selected for capital funding by the Citywide Affordable Housing Loan Committee (Loan Committee) pursuant to a competitive Notice of Funding Availability (NOFA) or Request for Proposals (RFP)

process and intended to serve homeless individuals or families are eligible to receive LOSP funds; and

WHEREAS, the Board of Supervisors authorizes City funding for LOSP projects as part of the Annual Appropriation Ordinance; and

WHEREAS, MOH enters into grant agreements with supportive housing owners and operators for LOSP projects in consultation with the Department of Public Health (DPH) and Human Services Agency (HSA), fiscally administers LOSP contracts, reviews annual audits and prepares recommendations for annual adjustments to project funding, monitors compliance with LOSP requirements as part of monitoring compliance with capital funding regulatory agreements, and if necessary, takes appropriate action to enforce compliance; and

WHEREAS, Mercy Housing California XL, LP is a California limited partnership for which Mercy Housing Calwest, a California nonprofit public benefit corporation, is its general partner; and

WHEREAS, Mercy Housing California XL, LP is the owner and developer of the Arlington Hotel, a 153-unit single room occupancy hotel located at 480 Ellis Street; and

WHEREAS, On March 9, 2012, the Loan Committee recommended approval to the Mayor of a 15-year LOSP contract not to exceed $9,354,007 with Mercy Housing California XL, LP for the Arlington Hotel; now, therefore, be it

RESOLVED, That the Board of Supervisors hereby authorizes the Director of MOH or his designee to execute the LOSP Grant Agreement (Agreement) for an amount not to exceed $9,354,007, in substantially the form on file with the Clerk of the Board, and in such final form as approved by the Director of MOH and the City Attorney;

OFFICE OF THE MAYOR
SAN FRANCISCO

EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: Mayor Edwin M. Lee

RE: Local Operating Subsidy Program Contract – Arlington Hotel – Not to Exceed $9,354,007

DATE: June 19, 2012

Attached for introduction to the Board of Supervisors is the resolution authorizing the Director of the Mayor's Office of Housing to execute a Local Operating Subsidy Program Grant Agreement with Mercy Housing California XL, LP, to provide operating subsidies for formerly homeless single adults at the Arlington Hotel for the period of August 1, 2012 to July 31, 2027 in an amount not to exceed $9,354,007.

Please note this item is cosponsored by Supervisor Kim.

I request that this item be calendared in Government Audit and Oversight Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

cc. Supervisor Jane Kim

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SAN FRANCISCO
2012 JUN 19 PM 4:47
AK

120700

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141