

File No. 180890

Committee Item No. 2

Board Item No. 26

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Rules Committee

Date October 17, 2018

Board of Supervisors Meeting

Date October 23, 2018

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Resolution                                   |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance                                    |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Memorandum of Understanding (MOU)            |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Form 126 - Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Form 700                                     |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Vacancy Notice                               |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Information Sheet                            |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Public Correspondence                        |

#### OTHER

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Program Regulations</u> |
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Completed by: Victor Young

Date Oct 12, 2018

Completed by: Linda Wong

Date October 18, 2018

[Administrative Code<sup>\*</sup> Seismic Safety Retrofit and Affordable Housing Loan Program]

1  
2 Ordinance amending the Administrative Code to conform to the recent passage by the  
3 voters on November 8, 2016<sub>±</sub> of Proposition C a measure, entitled "Loans to Finance  
4 Acquisition and Rehabilitation of Affordable Housing<sub>±</sub>", and to otherwise conform such  
5 sections to current practices and make technical corrections.

6 NOTE: Unchanged Code text and uncodified text are in plain Arial font.  
7 Additions to Codes are in *single-underline italics Times New Roman font*.  
8 Deletions to Codes are in *strikethrough italics Times New Roman font*.  
9 Board amendment additions are in double-underlined Arial font.  
Board amendment deletions are in ~~strikethrough Arial font~~.  
Asterisks (\* \* \* \*) indicate the omission of unchanged Code  
subsections or parts of tables.

10  
11 Be it ordained by the People of the City and County of San Francisco:

12  
13 Section 1. Chapter 66 of the Administrative Code is hereby amended by adding new  
14 Section 66.1, renumbering existing Sections 66.1, 66.2, 66.3, 66.4, and 66.5 as Sections 66.2,  
15 66.3, 66.4, 66.5, and 66.6 respectively and revising those Sections, and adding Sections 66.7,  
16 66.8, 66.9, 66.10, 66.11, 66.12, 66.13, 66.14, 66.15, 66.16, and 66.17, to read as follows:

17  
18 **SEC. 66.1. HISTORY AND PURPOSE.**

19 (a) The purpose of this Chapter 66 is to authorize and implement a Seismic Safety Retrofit and  
20 Affordable Housing Loan Program ("Program" as defined below) for the City and County of San  
21 Francisco ("City" as defined below).

22 (b) On November 3, 1992, the City's voters approved Proposition A, a ballot measure  
23 authorizing the issuance of up to \$350 million of general obligation bonds to establish a Seismic Safety  
24 Loan Program ("SSLP") to provide loans for the seismic strengthening of unreinforced masonry  
25

1 buildings ("Proposition A"); as of 2016, less than \$100 million of such issuance authority had been  
2 utilized. On November 8, 2016, voters approved Proposition C, a ballot measure expanding the  
3 permitted uses for which SSLP funds could be loaned ("Proposition C"). Among other changes,  
4 Proposition C authorized loans to "finance the costs to acquire, improve, and rehabilitate and to  
5 convert at-risk multi-unit residential buildings to permanent affordable housing."

6 (c) Consequently, the purpose of this Chapter 66 is to authorize and implement the program  
7 created by Proposition A, as amended by Proposition C, by describing the conditions under which the  
8 City may lend general obligation bond proceeds to building owners to finance the seismic retrofit of  
9 unreinforced masonry buildings, or to finance the acquisition, improvement and/or rehabilitation of "at  
10 risk" multi-unit residential buildings, subject to the conditions and provisions herein. The City's Board  
11 of Supervisors (the "Board") intends that the Program be used to protect buildings that are at-risk due  
12 to their physical condition and need for seismic and other life safety improvements, or for which there  
13 is a risk of loss of affordability or a risk of loss of the opportunity to create permanent housing  
14 affordability, due to vacancy decontrol or market speculation. The Board further intends that Program  
15 funds, particularly those funds used to make Below Market Rate Loans (as defined below), be  
16 prioritized for use in supporting the conversion of residential buildings to permanent rent-restricted  
17 affordable housing.

18 (d) In addition to the requirements of this Chapter 66, the Program shall be subject to all  
19 federal, state and local laws applicable to the issuance of bonds related to the Program, the making of  
20 loans, specific seismic retrofit standards, fire, health and safety upgrades and any other applicable  
21 requirements matters.

22  
23 **Sec. 66.21. DEFINITIONS.**

24 Unless otherwise indicated by the context, the following definitions shall govern  
25 construction of terms in this Chapter 66:

1           ~~—(a) "Below Market Rate Loan" shall mean a loan made from the proceeds of any individual~~  
2 ~~series of bonds issued under the Program which shall bear an interest rate that yields a total annual~~  
3 ~~return to the City that equals 1/3 of the City's cost of funds for that series.~~

4           ~~—(b) "City's cost of funds" for any individual series of bonds issued under the program shall~~  
5 ~~mean the true interest cost as set forth in the resolution of the Board of Supervisors awarding that~~  
6 ~~series of bonds.~~

7           ~~—(c) "Deferred Extended Loan" is a Below Market Rate Loan on which repayment of principal~~  
8 ~~and interest is deferred until the sooner to occur of (1) 55 years after such loan is made or (2) the~~  
9 ~~borrower transfers title to the property whose improvements were financed by the proceeds of such~~  
10 ~~loan, unless such transfer is a Permitted Transfer. Deferred interest shall accrue and be repaid at the~~  
11 ~~time the principal amount of the Deferred Extended Loan is due.~~

12           ~~—(d) "Deferred Standard Loan" is a Below Market Rate Loan on which repayment of principal~~  
13 ~~and interest is deferred until the sooner to occur of (1) 20 years after such loan is made or (2) the~~  
14 ~~borrower transfers title to the property whose improvements were financed by the proceeds of such~~  
15 ~~loan, unless such transfer is a Permitted Transfer. Deferred interest shall accrue and be repaid at the~~  
16 ~~time the principal amount of the Deferred Standard Loan is due.~~

17           ~~—(e) "Fund" shall mean the Seismic Strengthening Loan Fund, established pursuant to~~  
18 ~~Administrative Code Section 10.117-110.~~

19           ~~—(f) "Market Rate Loan" shall mean a loan made from the proceeds of any individual series of~~  
20 ~~bonds issued under the program which shall bear an interest rate that, when coupled with the annual~~  
21 ~~administrative fees charged by the City, yields a total annual return to the City that equals the City's~~  
22 ~~cost of funds for that series, plus 100 basis points.~~

23           ~~—(g) "Median income" shall mean the median income for San Francisco PMSA, adjusted for~~  
24 ~~household size, as published from time to time by the United States Department of Housing and Urban~~  
25

1 ~~Development, or any successor to that figure published by that department or any successor to that~~  
2 ~~department.~~

3 ~~—(h) "Permitted Transfer" shall mean any transfer of title of a property whose improvements~~  
4 ~~were financed by Below Market Rate Loan proceeds (1) from the borrower to a limited partnership or~~  
5 ~~limited liability company formed for the tax credit syndication of such property, provided that the~~  
6 ~~borrower or its affiliated nonprofit public benefit corporation is the sole general partner or manager of~~  
7 ~~such entity, or (2) pursuant to an option agreement entered into by the borrower and its general~~  
8 ~~partner, manager, or affiliate in connection with the tax credit syndication of such property.~~

9 ~~—(i) "Program" shall mean the seismic safety retrofit bond and loan program funded by the~~  
10 ~~Fund and established by this Chapter.~~

11 ~~—(j) "Seismic Strengthening" shall mean actions taken by or on behalf of the owner of a~~  
12 ~~building to comply with the requirements of Chapters 16B and 16C of the San Francisco Building~~  
13 ~~Code, as amended from time to time.~~

14 ~~—(k) "UMB" shall mean an unreinforced masonry bearing wall building, the seismic~~  
15 ~~strengthening of which may be financed by loan from the fund.~~

16 "Act" means collectively the provisions of a measure entitled "Earthquake Safety Loan  
17 Bonds," adopted by the voters as Proposition A on November 3, 1992, as amended by a measure  
18 entitled "Loans to Finance Acquisition and Rehabilitation of Affordable Housing," adopted by the  
19 voters as Proposition C on November 8, 2016, as same may be amended.

20 "Applicant" means an applicant for a Loan or any successor in interest.

21 "Application" means an application for a Loan.

22 "Below Market Rate Loan" means a Loan made, the interest of which yields at least one-third  
23 of the City Cost of Funds.

24 "Board" means the Board of Supervisors of the City.  
25

1 "Bond Proceeds" means the proceeds of general obligation bonds to be issued by the City to  
2 provide funds for the Program, including interest on such proceeds of such general obligation bonds.

3 "Borrower" means a recipient of a Loan.

4 "Building Code" means the San Francisco Building Code, as such code may be amended from  
5 time to time.

6 "City" means the City and County of San Francisco.

7 "City Cost of Funds" means the true interest cost applicable to City Bond Proceeds funding  
8 Loans made hereunder.

9 "Declaration of Restrictions" means an agreement to be executed by the Borrower and recorded  
10 against the Property as a condition to the receipt of a Loan hereunder in order to restrict use of the  
11 Property, as further described in this Chapter 66.

12 "Deferred Loan" means a Below Market Rate Loan, for which the repayment of principal and  
13 interest thereof is deferred until the sooner to occur of (1) 55 years after such Loan is made, or (2) the  
14 borrower transfers title to, or the beneficial ownership of, the building whose improvements were  
15 financed with such Loan proceeds, unless such transfer is permitted by the rules and regulations  
16 established by the Director.

17 "Director" means the Director of the Mayor's Office of Housing and Community Development,  
18 or the Director's designee.

19 "Fund" means the Seismic Strengthening and Affordable Housing Loan Fund established  
20 pursuant to Administrative Code Section ~~[10.117-110.]~~ 10.100.315, or such other fund that the  
21 Director establishes with the Office of the Controller to administer the Program.

22 "Loan" means a loan made pursuant to this Chapter 66, and includes Below Market Rate  
23 Loans, Deferred Loans, and Market Rate Loans.

24 "Loan Committee" means the Citywide Affordable Housing Loan Committee, an internal Loan  
25 review committee of the Mayor's Office of Housing and Community Development.

1           "Market Rate Loan" means a loan which bears a rate of interest that, when coupled with the  
2 annual administrative fee charged by the City, yields a total return to the City that equals the City Cost  
3 of Funds for the series of bonds providing funding for such loan, plus 100 basis points.

4           "MOHCD" shall mean the Mayor's Office of Housing and Community Development, or any  
5 such successor department of the City assuming the responsibilities for administration and  
6 management of the Program.

7           "Program" shall mean the seismic safety retrofit and affordable housing loan program funded  
8 by the Bond Proceeds authorized by the Act.

9           "Program Regulations" means the rules and regulations regarding the Program to be published  
10 by the Director, which will be designed to carry out and implement the purposes set forth in the Act and  
11 this Chapter 66.

12           "Property" means any legal parcel(s) of real property eligible for a Loan under the  
13 Program, and subject to a Declaration of Restrictions, as provided hereunder.

14           All terms used herein but not otherwise defined shall be as defined under the Act.

15  
16           **Sec. 66.32. PROGRAM REGULATIONS.**

17           ~~(a) The Board of Supervisors~~ Director shall publish from time to time adopt by ordinance  
18 those regulations and rules for the Program Regulations for the Program that the Board of  
19 Supervisors determines appropriate. are necessary and appropriate to effectively and efficiently  
20 implement the Program, as authorized by the Act and in accordance with this Chapter 66. The  
21 Director shall publish such Program Regulations on the website of MOHCD and in such other public  
22 places as the Director shall deem appropriate, and provide the Program Regulations to persons  
23 requesting a written copy thereof. Those The Program #Regulations shall address matters  
24 including, but not limited to, Program and fFund administration, underwriting criteria, loan  
25 processing and documentation, and loan enforcement. nondiscrimination, qualification for loans, loan

1 documentation and enforcement. The Program Regulations shall also cover the use of Loan proceeds  
2 for the costs of the acquisition, improvement, and/or rehabilitation of "at risk" multi-unit residential  
3 buildings, as further provided herein. Such Program Regulations and any material amendments  
4 thereto shall be subject to review and approval by the Loan Committee, and shall be reported to the  
5 General Obligation Bond Oversight Committee at the first meeting of that committee following the  
6 effective date of such Program Regulations or amendments.

7  
8 **Sec. 66.43. AMOUNT AND USE OF PROGRAM FUNDS.**

9 (a) The Program and the issuance of general obligation bonds by the City to fund such  
10 Program in accordance with the Act are hereby authorized. A maximum of \$350,000,000 will be  
11 raised for the Program through the issuance and sale of general obligation bonds of the City for  
12 deposit into the Fund for use in the Program and for payment of certain bond issuance costs,  
13 and such general obligation bonds shall be allocated as provided below. Loans made under the  
14 Program for multi-unit properties may be used for costs associated with:

- 15 (1) the acquisition, improvement, and/or rehabilitation of "at-risk" multi-unit  
16 residential buildings;  
17 (2) the conversion of such buildings to permanent affordable housing; and  
18 (3) financing the cost of needed seismic, fire, health and safety upgrades, or other major  
19 rehabilitation for habitability of such structures. Notwithstanding the foregoing, proceeds of the  
20 Program shall not be used to finance new construction of permanent affordable housing units, or the  
21 acquisition of multi-unit residential buildings without improvement and/or rehabilitation of such  
22 buildings.

23 (b) A maximum of \$150,000,000 of general obligation bonds shall be issued for the  
24 purpose of originating Below Market Rate Loans under the Program in accordance with Program  
25 Regulations. the fund shall be made available for Below Market Rate loans under the Program for



1 ~~Seismic Strengthening of UMB's in which 50 percent or more of the floor area is residential and at~~  
2 ~~least 70 percent of the residential units are and will continue to be affordable to and occupied by a~~  
3 ~~household whose income is at or below 60 percent of median income.~~

4 (c) Of the \$150,000,000 available for Below Market Rate Loans, a maximum of  
5 \$60,000,000 of such amount shall be made available ~~to originate for~~ Deferred ~~standard~~ Loans ~~or~~  
6 ~~Deferred Extended Loans~~ under the Program, ~~for Seismic Strengthening of UMB's in which 60~~  
7 ~~percent or more of the floor area is residential and at least 80 percent of the residential units are and~~  
8 ~~will continue to be affordable to and occupied by a household whose income is at or below 40 percent~~  
9 ~~of median income.~~

10 (d) A maximum of \$200,000,000 of ~~the fund~~ general obligation bonds shall be made  
11 available ~~for to originate~~ Market Rate Loans, ~~for Seismic Strengthening of UMB's not qualifying for~~  
12 ~~loans under Subsections 66.3(b) or 66.3(e).~~

13 (e) Fees for Services, Indemnification. To the extent permitted by law, MOHCD may  
14 charge reasonable fees, including Loan origination and monitoring fees, and such other necessary fees  
15 of consultants and agents retained to administer the Program. MOHCD may use Bond Proceeds to pay  
16 such fees or may charge such fees to Applicants and Borrowers. MOHCD may also require Applicants  
17 and Borrowers to defend and indemnify the City against future claims, liabilities, and losses related to  
18 its administration of the Program as a condition precedent to making a Loan, legally required for  
19 completion of the Seismic Strengthening of or to permit occupancy of a building, up to 25 percent of the  
20 proceeds of any loan funded under the Program may be spent on improvements to protect the life or  
21 safety of or to provide disability access for occupants of that building.

22 (f) Combining Loans. MOHCD may issue to a particular Property any number of Below  
23 Market Rate Loans, Market Rate Loans, and Deferred Loans in any combination thereof that the  
24 Director deems appropriate.

1           **Sec. 66.5. LOAN PERIOD TERMS.**

2           All loans made under the Program shall be fully ~~amortized over a period of 20 years,~~  
3 ~~provided that all principal and interest payments under a Deferred Standard Loan shall be repaid in a~~  
4 ~~single lump sum at the end of the Deferred Standard Loan period and all principal and interest~~  
5 ~~payments under a Deferred Extended Loan shall be repaid in a single lump sum at the end of the~~  
6 ~~Deferred Extended Loan period repaid over such periods as set forth in the Program Regulations but in~~  
7 ~~no event for a term greater than 55 years, on such terms as the Director shall establish and deem~~  
8 ~~appropriate, including but not limited to, loans the principal and/or interest of which are repaid in a~~  
9 ~~single lump sum at the maturity of such loan. Principal and interest Loan repayments will be deposited~~  
10 ~~into the Fund pursuant to the terms of the Program Regulations. All payments of principal and interest~~  
11 ~~collected in connection with Below Market Rate Loans shall be remitted to the Controller's office to be~~  
12 ~~applied toward repayment of the Bonds associated with such Loans. All payments of principal, and the~~  
13 ~~amount of interest equal to the City Cost of Funds, collected in connection with Market Rate Loans~~  
14 ~~shall be remitted to the Controller's Office to be applied toward repayment of the Bonds associated~~  
15 ~~with such Loans. At the discretion of the Director, payments of interest in excess of the City Cost of~~  
16 ~~Funds collected in connection with Market Rate Loans may be deposited into the Fund.~~

17  
18           **Sec. 66.65. PRESERVATION OF HOUSING.**

19           (a) Any Below Market Rate Loan made under the Program shall be subject to a Declaration  
20 of Restrictions. The term of the Declaration of Restrictions shall be sufficient to ensure that units  
21 acquired, improved, or rehabilitated remain affordable for as long as all or any portion of the  
22 buildings financed with the Loan operate as multi-family residential facilities.

23           (b) Market Rate Loans made under the Program shall be subject to a Declaration of  
24 Restrictions only to the extent set forth in the Program Regulations. The repayment liability for funds

1 from any Market Rate Loan used for rehabilitation of a residential building shall not be passed through  
2 to tenants as a capital improvements rent increase or otherwise.

3 ~~—(a) Any loan, including a Market Rate Loan, used to finance Seismic Strengthening of a~~  
4 ~~residential structure containing units rented to households specified in Section 50079.5 of the~~  
5 ~~California Health and Safety Code before strengthening shall be subject to a regulatory agreement and~~  
6 ~~related documents that will ensure that the number of those units in the structure will not be reduced~~  
7 ~~and will remain available at affordable rents pursuant to Section 50053 of the California Health and~~  
8 ~~Safety Code (1) for as long as any portion of the loan is unpaid, (2) in the case of Below Market Rate~~  
9 ~~Loans other than Deferred Extended Loans, repaid in full in less than 20 years, for at least 20 years,~~  
10 ~~and (3) in the case of Deferred Extended Loans, repaid in full in less than 55 years, for at least 55~~  
11 ~~years.~~

12 ~~—(b) In the case of Below Market Rate Loans other than Deferred Extended Loans, the~~  
13 ~~Regulatory Agreement and related documents will include provisions to assure the continued~~  
14 ~~affordability and occupancy, for at least 20 years, by households as described in Section 66.3, and such~~  
15 ~~other restrictions and requirements as deemed appropriate by the Board of Supervisors or the entity~~  
16 ~~designated as administrator of the Program. In the case of Deferred Extended Loans, the Regulatory~~  
17 ~~Agreement and related documents will include provisions to assure continued affordability and~~  
18 ~~occupancy, for at least 55 years, by households as described in Section 66.3, and such other~~  
19 ~~restrictions and requirements as deemed appropriate by the Board of Supervisors or the entity~~  
20 ~~designated as administrator of the Program.~~

21 ~~—(c) In addition to any other restriction on the reduction of the number of residential units set~~  
22 ~~forth in this Chapter, any loan made under the Program that is used to finance Seismic Strengthening~~  
23 ~~shall be subject to a regulatory agreement and related documents that will ensure that the number of~~  
24 ~~residential units, if any, in the structure being strengthened will not be reduced for as long as any~~  
25 ~~portion of the loan is unpaid except if one of the following conditions is met at the time that the loan is~~

1 *made: (1) compliance with engineering requirements necessitates a reduction in the number of*  
2 *residential units; (2) the loss of units is required to correct substandard housing conditions as*  
3 *described in the Program regulations; or (3) the structure is an owner-occupied mixed-use building*  
4 *with four or fewer residential units.*

5  
6 **SEC. 66.7. LENDING CRITERIA.**

7 *Applicants must satisfy the underwriting criteria set forth in the Program Regulations, including*  
8 *but not limited to, appropriate loan-to-value and debt service coverage ratios, reserve requirements,*  
9 *credit worthiness, scope of work, experience, and such other factors as the Director deems appropriate.*

10  
11 **SEC. 66.8. CONTRACTING REQUIREMENTS.**

12 *Each Applicant must comply with all City contracting requirements, including but not limited to*  
13 *health insurance requirements, the Local Business Enterprise and Non-Discrimination in Contracting*  
14 *Program in Administrative Code Section 14B, and the First Source Hiring Program in Administrative*  
15 *Code Section 83. The Director shall ensure that the Program Regulations include compliance with City*  
16 *contracting requirements as a condition of receiving a Loan under the Program.*

17  
18 **SEC. 66.9. LOAN APPLICATION PROCESS.**

19 *Application information and forms shall be made available by the Director and published on*  
20 *MOHCD's website, or such other convenient location as may be determined by the Director. The*  
21 *Application package will indicate procedures for returning a completed Application, and the expected*  
22 *time frame for the processing thereof.*

23  
24 **SEC. 66.10. LOAN COMMITTEE DECISIONS.**

25 *///*

1           Subject to the limited exceptions set forth in the Program Regulations, all completed  
2 Applications shall be submitted to the Loan Committee for evaluation. Even if an Applicant meets all  
3 of the eligibility criteria in this Chapter 66, the Loan Committee may, in its discretion, choose not to  
4 approve any proposed Loan or choose to approve any Loan for less than the amount requested by the  
5 Applicant.

6  
7           **SEC. 66.11. LOAN DISBURSEMENTS, MONITORING.**

8           MOHCD shall be responsible for disbursing Loan proceeds and monitoring construction  
9 progress. In addition, MOHCD shall work with those departments or individuals designated by the  
10 Director to monitor compliance with all applicable Loan documents, this Chapter 66, and all other  
11 applicable federal, state, and local laws. MOHCD shall periodically inspect the progress of  
12 construction and approve disbursements of Loan proceeds.

13  
14           **SEC. 66.12. LOAN SERVICING.**

15           MOHCD shall receive repayments of Loans, account for all such repayments, and provide to  
16 the Director annual statements of such accounts for each outstanding Loan. MOHCD is authorized to  
17 retain from time to time loan servicing agents as desirable to service Loans originated under the  
18 Program, and to charge Applicants and Borrowers for the cost thereof.

19  
20           **SEC. 66.13. PREVAILING WAGES.**

21           All Loans are subject to the highest general prevailing rate of wages as determined in  
22 accordance with Administrative Code Section 6.22E or other applicable City laws regarding the  
23 determination of prevailing wages.

24           ///

25           ///

1           **SEC. 66.14. PROPERTY/LIABILITY INSURANCE.**

2           As a condition precedent to receipt of a Loan, the Borrower shall maintain or cause to be  
3 maintained insurance in types, coverages, and amounts determined by the City's Risk Manager and the  
4 Director. The Program Regulations shall include guidelines for such required insurance coverage,  
5 which may include but shall not be limited to general liability insurance, property insurance, and  
6 workers compensation coverage.

7  
8           **SEC. 66.15. MONITORING FOR COMPLIANCE WITH DECLARATION OF**  
9 **RESTRICTIONS AND OTHER DOCUMENTS.**

10           MOHCD or its successor shall be responsible for monitoring compliance with the Declaration  
11 of Restrictions and other Loan-related documents as described in the Program Regulations. MOHCD  
12 shall take such actions as are necessary to enforce provisions of such agreements. MOHCD shall also  
13 establish, impose and collect a monitoring fee to effectuate the provisions of this section.

14  
15           **SEC. 66.16. PROGRAM MANAGEMENT.**

16           The Director shall be responsible for management of the Program. The Controller's Office, in  
17 consultation with the Director, shall be responsible for disbursing from Bond Proceeds amounts  
18 needed to originate Loans. Disbursements of bond proceeds shall be made from time to time or upon  
19 the close of a Loan, as determined by the Director. The Director may from time to time appoint agents  
20 and consultants to assist with administration of the Program.

21  
22           **SEC. 66.17. VALIDATION.**

23           Notwithstanding any other provision of law, an action may be brought under Chapter 9  
24 (commencing with Section 860) of Title 10 of Part 2 of the California Code of Civil Procedure, to  
25 determine the validity of any bonds issued pursuant to the Act or this Chapter 66, the validity of any

1 loans made pursuant to the Act or this Chapter, the validity of any contracts entered into pursuant to  
2 the Act or this Chapter, and any related documents. If an action is commenced, the action shall be  
3 brought in the Superior Court in and for the City and County of San Francisco.

4  
5 Section 2. Chapter 66A of the Administrative Code, consisting of Sections 66A.1  
6 through is hereby deleted as follows:

7 **~~SEC. 66A.1. PURPOSE.~~**

8 ~~The purpose of this Chapter 66A is to implement a seismic safety loan program ("Program") by~~  
9 ~~describing the conditions under which the City and County of San Francisco ("City") may lend taxable~~  
10 ~~general obligation bond proceeds to building owners to finance the seismic retrofit of unreinforced~~  
11 ~~masonry buildings. In addition to the requirements of Administrative Code Chapter 66 and this Chapter~~  
12 ~~66A, the Program shall also be subject to all federal, state and local laws applicable to the issuance of~~  
13 ~~bonds related to the Program, the making of loans, specific seismic retrofit standards, and any other~~  
14 ~~applicable matters.~~

15  
16 **~~SEC. 66A.2. DEFINITIONS.~~**

17 ~~Unless otherwise defined below, capitalized terms used in this Chapter 66A shall have the~~  
18 ~~meanings set forth in this Chapter 66A or in Administrative Code Chapter 66.~~

19 ~~(1) "Annual Debt Service" means the projected annual sum of all payments due on obligations~~  
20 ~~secured by the Property, as defined below, for the 12 months following the completion of Seismic~~  
21 ~~Strengthening to be financed by a Seismic Safety Loan, as defined below, including any payments which~~  
22 ~~will be due on the proposed Seismic Safety Loan, but shall not include depreciation of the Property.~~

23 ~~(2) "Annual Net Operating Income" means the annual sum of all gross income estimated to be~~  
24 ~~generated by the Property, as defined below, during the 12 months following the completion of Seismic~~  
25 ~~Strengthening to be financed by a Seismic Safety Loan, as defined below, less the sum of all operating~~

1 ~~expenses for the Property during such period.~~

2 ~~(3) "Applicant" means an applicant for a Seismic Safety Loan, as defined below.~~

3 ~~(4) "Bolts Plus" means the retrofit standard defined in San Francisco Building Code Section~~  
4 ~~1603B and permitted under San Francisco Building Code Section 1609C.2.~~

5 ~~(5) "Bond Proceeds" means the proceeds of taxable general obligation bonds to be issued by~~  
6 ~~the City to finance the Program, including interest on such proceeds.~~

7 ~~(6) "Borrower" means a recipient of a Seismic Safety Loan, as defined below.~~

8 ~~(7) "Building Code" means the San Francisco Building Code, as it may be amended from time~~  
9 ~~to time.~~

10 ~~(8) "Debt Service Coverage Ratio" shall be the ratio of Annual Net Operating Income on the~~  
11 ~~Property, as defined below, to Annual Debt Service on the Property.~~

12 ~~(9) "General Procedure" means the retrofit standard defined in Building Code Section 1610C.~~

13 ~~(10) "Loan Committee" means the Unreinforced Masonry Building Loan Committee, as further~~  
14 ~~defined in Section 66A.13.~~

15 ~~(11) "Loan to Value Ratio" means the ratio of the outstanding principal balance of all~~  
16 ~~financing secured by the Property, as defined below, including the proposed Seismic Safety Loan, as~~  
17 ~~defined below, to the Market Value of the Property.~~

18 ~~(12) "Market Value" of the Property, as defined below, means the value of the Property as~~  
19 ~~determined by an appraiser approved by the City who possesses a State of California appraisal license,~~  
20 ~~certified general, based on both historical data and projected income and value following completion~~  
21 ~~of Seismic Strengthening, as defined in Administrative Code Section 66.1(j). Such appraisal shall be~~  
22 ~~dated no earlier than 90 days prior to the date of application for a Seismic Safety Loan, as defined~~  
23 ~~below. The Applicant shall be fully responsible for the cost of obtaining such an appraisal. The~~  
24 ~~Program Administrator, as defined below, shall provide prospective Applicants with a list of~~  
25 ~~preapproved appraisers. The Applicant may obtain the prior written approval of the Program~~



1 ~~Administrator in the event the Applicant wishes to utilize an appraiser other than as specified on such~~  
2 ~~list.~~

3 ~~(13) "Program Administrator" means a representative of the Mayor's Office of Housing, as~~  
4 ~~specified in Section 66A.25.~~

5 ~~(14) "Program Regulations" means regulations to be developed by the Program~~  
6 ~~Administrator, which will address those issues specified in this Chapter 66A, in addition to any other~~  
7 ~~matters deemed necessary by the Program Administrator in order to implement Chapters 66 and 66A.~~

8 ~~(15) "Property" means an unreinforced masonry bearing wall building ("UMB"), as defined in~~  
9 ~~Administrative Code Section 66.1(k), together with the legal parcel(s) of real property on which the~~  
10 ~~UMB is located.~~

11 ~~(16) "Regulatory Agreement" means an agreement to be executed by the Property owner and~~  
12 ~~recorded against the Property in order to restrict subsequent use of the Property, as further described~~  
13 ~~in Administrative Code Section 66.5 and in this Chapter 66A.~~

14 ~~(17) "Section 3403.6" means the retrofit standard defined in Building Code Section 3403.6.~~

15 ~~(18) "Seismic Safety Loan" means a loan made pursuant to Administrative Code Chapters 66~~  
16 ~~and 66A, and includes Below Market Rate Loans, Deferred Extended Loans, Deferred Standard Loans,~~  
17 ~~and Market Rate Loans, each as defined in Administrative Code Section 66.1.~~

18 ~~(19) "Special Procedure" means the retrofit standard defined in Building Code Section 1611C.~~

19  
20 **~~SEC. 66A.3. PROGRAM PERSONNEL.~~**

21 ~~In addition to the Program Administrator and Loan Committee, as further described in this~~  
22 ~~Chapter 66A, the following individuals or entities shall assist in the operation of the Program. Each~~  
23 ~~individual/entity shall be selected through a request for proposals process to be conducted by the UMB~~  
24 ~~Program Administrator. The City shall enter into agreements to obtain the services of such individuals~~  
25 ~~and/or entities according to applicable City procedures and subject to all required City approvals.~~

1           ~~— (1) Financial Consultant. The financial consultant ("Financial Consultant") shall perform~~  
2 ~~the duties described in Sections 66A.12 and 66A.16, below.~~

3           ~~— (2) Loan Servicer. The Loan Servicer shall be a private lender and/or loan servicer ("Loan~~  
4 ~~Servicer"). The duties of the Loan Servicer are described in Section 66A.17, below.~~

5  
6           ~~SEC. 66A.4. LENDING CRITERIA.~~

7           ~~Applicants must satisfy the criteria described in Section 66A.4(1), at a minimum, in order to be~~  
8 ~~eligible for consideration for receipt of a Seismic Safety Loan. The Loan Committee may also consider~~  
9 ~~those additional factors described in Section 66A.4(2) in determining whether to approve a Seismic~~  
10 ~~Safety Loan. In no event will an Applicant's satisfaction of the criteria in this Section 66A.4 be deemed~~  
11 ~~to guarantee approval of a Seismic Safety Loan for the Applicant.~~

12           ~~— (1) Underwriting Criteria.~~

13           ~~— (a) Below Market Rate Loans. Each Applicant for a Below Market Rate Loan must show~~  
14 ~~that the Property to be rehabilitated satisfies one of the following criteria:~~

15           ~~— (i) The Loan to Value Ratio of the Property shall not exceed 95 percent, and the Property~~  
16 ~~shall have a minimum Debt Service Coverage Ratio of 1.1x; or~~

17           ~~— (ii) The Loan to Value Ratio of the Property shall not exceed 90 percent, and the~~  
18 ~~Property shall have a minimum Debt Service Coverage Ratio of 1.05x.~~

19           ~~— (b) Deferred Extended Loans and Deferred Standard Loans. Each Applicant for a Deferred~~  
20 ~~Extended Loan or a Deferred Standard Loan must show that the Property to be rehabilitated satisfies~~  
21 ~~the following criteria: The Loan to Value Ratio of the Property shall not exceed 95 percent.~~

22           ~~— (c) Market Rate Loans. Each Applicant for a Market Rate Loan must show that the~~  
23 ~~Property to be rehabilitated satisfies one of the following criteria:~~

24           ~~— (i) The Loan to Value Ratio shall not exceed 95 percent, and the Property shall have a~~  
25 ~~minimum Debt Service Coverage Ratio of 1.1x; or~~

1           ~~— (ii) The Loan to Value Ratio shall not exceed 90 percent, and the Property shall have a~~  
2 ~~minimum Debt Service Coverage Ratio of 1.05x.~~

3           ~~— (2) Other Lending Criteria. In addition to the underwriting criteria specified in Section~~  
4 ~~66A.4(1), above, the Loan Committee shall evaluate each of the following factors for each Applicant, as~~  
5 ~~these factors are more fully addressed in the Program Regulations:~~

6           ~~— (a) Creditworthiness. The Loan Committee shall evaluate an Applicant's credit history and~~  
7 ~~likelihood of making timely loan repayments.~~

8           ~~— (b) Net Worth. The Loan Committee shall examine an Applicant's net worth and income.~~

9           ~~— (c) Experience. The Loan Committee shall determine whether an Applicant has experience~~  
10 ~~with rehabilitation projects, and whether such experience may contribute to the likelihood of timely~~  
11 ~~completion of the Seismic Strengthening and repayment of the Seismic Safety Loan.~~

12           ~~— (d) Scope of Work. The Loan Committee shall assess the degree to which the proposed~~  
13 ~~scope and timing of the Seismic Strengthening will address the needs of the Property and the~~  
14 ~~surrounding neighborhood with regard to habitability and marketability of the Property.~~

15           ~~— (e) Additional Factors. In the event a Property does not meet the Loan to Value Ratio~~  
16 ~~and/or Debt Service Coverage Ratio Requirements set forth above, the Loan Committee may consider~~  
17 ~~the following factors in determining whether to approve a Seismic Safety Loan, in the following order~~  
18 ~~of priority:~~

19           ~~— (i) The Applicant's ability and willingness to repay the Seismic Safety Loan, including the~~  
20 ~~availability of additional real property collateral as described in Section 66A.6(2), and the availability~~  
21 ~~of personal or corporate guaranties, as described in Section 66A.6(2);~~

22           ~~— (ii) The extent to which proposed rehabilitation costs may be reduced in order to permit~~  
23 ~~the Applicant to qualify for a lesser Seismic Safety Loan amount; and~~

24 ~~///~~

25 ~~///~~

1           — (iii) ~~The extent to which existing lenders of financing secured by the Property have~~  
2 ~~agreed to subordinate the liens of their deeds of trust or other encumbrances to the lien of the deed of~~  
3 ~~trust ("Deed of Trust") in favor of the City in connection with a Seismic Safety Loan.~~

4  
5           **~~SEC. 66A.5. DOCUMENTATION FOR SEISMIC SAFETY LOANS.~~**

6           — (1) ~~Each Seismic Safety Loan shall be evidenced by a loan agreement, a promissory note, a~~  
7 ~~Deed of Trust, a Regulatory Agreement (where applicable), escrow instructions, and any other~~  
8 ~~documents reasonably required to evidence the Seismic Safety Loan and adequately protect the City's~~  
9 ~~interest in the Applicant's completion of the Seismic Strengthening and repayment of the Seismic Safety~~  
10 ~~Loan. The form and content of such loan documents shall be reviewed and approved by the City~~  
11 ~~Attorney's Office and the Program Administrator.~~

12           — (2) ~~As a condition to the close of any Seismic Safety Loan, the Deed of Trust and Regulatory~~  
13 ~~Agreement (where applicable) shall be recorded as liens against the Property, subject only to those~~  
14 ~~encumbrances approved by the City. The loan documents shall provide that a Seismic Safety Loan~~  
15 ~~shall, at the City's option, be due and payable immediately upon the close of escrow of any sale or~~  
16 ~~transfer of the Property. The City may permit subsequent owners of the Property or transferees of the~~  
17 ~~Borrower to assume an existing Seismic Safety Loan, provided that the Property and the subsequent~~  
18 ~~owners or transferees continue to meet the criteria set forth in Section 66A.4, and that any such~~  
19 ~~subsequent owner or transferee expressly agrees in writing to assume all of the Borrower's obligations~~  
20 ~~under the Seismic Safety Loan documents.~~

21           — (3) ~~A default under any document(s) evidencing a Seismic Safety Loan, including but not~~  
22 ~~limited to a Regulatory Agreement, shall constitute a default under the loan agreement and allow the~~  
23 ~~City to pursue any remedies available at law or in equity.~~

24  
25           **~~SEC. 66A.6. SECURITY FOR SEISMIC SAFETY LOANS.~~**

1           ~~(1) Deed of Trust. As security for Borrower's obligations in connection with the Seismic~~  
2 ~~Safety Loan, the Borrower shall execute and deliver a deed of trust and assignment of rents ("Deed of~~  
3 ~~Trust") on the Property in favor of the City. As a condition to the close of the Seismic Safety Loan, the~~  
4 ~~City shall record the Deed of Trust against the Property, subject only to those liens and encumbrances~~  
5 ~~approved in writing by the City.~~

6           ~~(2) Additional Collateral. In the event an Applicant meets the other lending criteria specified~~  
7 ~~in Section 66A.4(2), above, but does not meet the Loan to Value Ratio or Debt Service Coverage Ratio~~  
8 ~~requirements set forth in Section 66A.4(1), above, the Loan Committee may choose to accept any of the~~  
9 ~~following collateral, in addition to the Deed of Trust:~~

10           ~~(a) Personal Guaranty. In cases where (i) the Applicant is an organization exempt from~~  
11 ~~taxation under the Internal Revenue Code of the United States and the Revenue and Taxation Code of~~  
12 ~~the State of California as a bona fide fraternal, charitable, benevolent, religious or other nonprofit~~  
13 ~~organization; and (ii) the Property does not meet the underwriting criteria set forth in Section~~  
14 ~~66A.4(1), above, then the Loan Committee may choose to accept, in addition to the Deed of Trust, a~~  
15 ~~personal, corporate or other guaranty issued for the benefit of the City from an individual or entity~~  
16 ~~unrelated to the Applicant ("Guaranty") to guaranty the Borrower's obligations in connection with the~~  
17 ~~Seismic Safety Loan. The Guaranty shall be in form and substance satisfactory to the Loan Committee.~~  
18 ~~The Loan Committee may request any information required to support the creditworthiness of the~~  
19 ~~individual or party proposing to issue the Guaranty.~~

20           ~~(b) Additional Real Property Security. The Loan Committee may accept additional real~~  
21 ~~property security to be subject to a lien of a Deed of Trust. Such real property must be located within~~  
22 ~~the nine-county San Francisco Bay Area. The Loan to Value Ratio of such additional real property~~  
23 ~~shall not exceed 75 percent.~~

24  
25           **SEC. 66A.7. SUBORDINATION OF LIENS SECURING SEISMIC SAFETY LOANS.**

1           ~~—(1) The City shall negotiate with other existing and proposed lien holders and other holders~~  
2 ~~of obligations secured by the Property in order to gain a superior position for the lien of the Deed of~~  
3 ~~Trust and the Regulatory Agreement, if applicable.~~

4           ~~—(2) The City may, in its discretion, agree to subordinate the lien of the Deed of Trust to~~  
5 ~~subsequent lenders providing financing for the rehabilitation of the Property, so long as the Property~~  
6 ~~continues to meet the underwriting criteria set forth in Section 66A.4(1), above.~~

7  
8           **SEC. 66A.8. PERMISSIBLE LOAN AMOUNTS.**

9           ~~—(1) Determination. The City's Department of Building Inspection and such other City departments as~~  
10 ~~determined by the Program Administrator and the Loan Committee shall work with the Program~~  
11 ~~Administrator to determine permissible cost ranges for seismic rehabilitation activities and, from that~~  
12 ~~information, proposed maximum loan amounts for individual Seismic Safety Loans, based on the type~~  
13 ~~of building and the work necessary to complete the Seismic Strengthening. The Program Administrator~~  
14 ~~shall periodically review and, as necessary, amend these amounts during the Program.~~

15           ~~—(2) Retrofit Standards Used to Determine Permissible Amounts.~~

16           ~~—(a) Seismic Safety Loans may be used to finance the minimum level of Seismic~~  
17 ~~Strengthening work required by Chapters 14 and 15 of the Building Code, subject to Subsections (b)~~  
18 ~~and (c), below.~~

19           ~~—(b) In the event a Property would qualify for Bolts Plus but the Applicant elects to comply~~  
20 ~~with the Special Procedure, the amount of the Seismic Safety Loan shall be calculated based upon the~~  
21 ~~sum necessary to comply with the Special Procedure.~~

22           ~~—(c) In the event a Property would qualify for the General Procedure, and the Applicant~~  
23 ~~demonstrates that the cost of complying with Section 104(f) would be less than or equal to the cost of~~  
24 ~~complying with the General Procedure, the amount of the Seismic Safety Loan shall be calculated~~  
25 ~~based upon the sum necessary to comply with Section 104(f).~~

1           ~~—(3) Proposed Loans in Excess of Permissible Amounts. The Loan Committee may, in its~~  
2 ~~discretion, approve Seismic Safety Loans in excess of the amounts determined in Section 66A.8(1),~~  
3 ~~above, after receiving special review and approval by the Loan Committee.~~

4  
5           **SEC. 66A.9. ELIGIBLE USES OF LOAN PROCEEDS.**

6           ~~—(1) Seismic Rehabilitation Costs. The principal amount of any Seismic Safety Loan may be~~  
7 ~~used to pay the following costs, provided such costs are necessary for seismic safety reasons or legally~~  
8 ~~required for completion of Seismic Strengthening or occupancy of a UMB:~~

9           ~~—(a) Seismic Strengthening of UMBs;~~

10           ~~—(b) Soft costs directly associated with the Seismic Strengthening, including but not limited~~  
11 ~~to architectural fees, engineering fees, development of tenant protection plans, loan packaging fees,~~  
12 ~~permit fees and escrow and closing fees and costs;~~

13           ~~—(c) Replacement and/or restoration of finishes disturbed during performance of the Seismic~~  
14 ~~Strengthening to their condition existing as of the date of commencement of the Seismic Strengthening;~~

15           ~~—(d) Remediation or reduction of toxic materials disturbed during Seismic Strengthening in~~  
16 ~~accordance with applicable federal, State or local laws; and~~

17           ~~—(e) Residential tenant relocation costs, as required by applicable laws.~~

18           ~~—(2) Life/Safety Code Compliance and Disability Access. Up to 25 percent of the seismic~~  
19 ~~construction hard costs portion of any Seismic Safety Loan may be used, to the extent legally required~~  
20 ~~for completion of the Seismic Strengthening of or to permit occupancy of a Property, to pay costs of~~  
21 ~~improvements to the Property to protect the life or safety of or to provide legally required disability~~  
22 ~~access for occupants of the Property. In the event the Loan Committee determines that greater than 25~~  
23 ~~percent of the amount of a Seismic Safety Loan is generally requested to complete the work described~~  
24 ~~in this Section 66A.9(2), the Loan Committee may recommend to the Board of Supervisors that this~~  
25 ~~Section be amended to increase the 25 percent cap.~~

1            **~~SEC. 66A.10. BIDDING REQUIREMENTS; MINORITY/WOMEN BUSINESS~~**

2            **~~ENTERPRISES.~~**

3            ~~—(1) Prior to applying for a Seismic Safety Loan, each Applicant shall obtain a minimum of~~  
4 ~~three qualified bids for performance of the work to be financed by a Seismic Safety Loan. All three bids~~  
5 ~~must be included with an application. At least one of those bids shall be from a contractor and/or~~  
6 ~~engineer, whichever type of professional with whom the Applicant intends to enter into a contract for~~  
7 ~~performance of Seismic Strengthening, which has been certified by the City's Human Rights~~  
8 ~~Commission, pursuant to Administrative Code Section 12D.A.6(B)(1), as an MBE or WBE as defined in~~  
9 ~~Administrative Code Section 12D.A. In cases where a Borrower wishes to enter into a negotiated bid~~  
10 ~~with a contractor, the Borrower must demonstrate to the Program Administrator that a good faith~~  
11 ~~effort was made to notify MBE and WBE contractors of the work to be performed. The Program~~  
12 ~~Administrator shall make available to Applicants a list of certified MBEs and WBEs from which such~~  
13 ~~bids may be solicited. In no event shall the Applicant be required to pay any bid preparation fee to the~~  
14 ~~MBE or WBE.~~

15            ~~—(2) It is the goal of the Board of Supervisors that 25 percent of all Seismic Safety Loan~~  
16 ~~proceeds disbursed in the Program be paid by Borrowers to contractors who are MBEs and/or WBEs.~~

17  
18            **~~SEC. 66A.11. LOAN APPLICATION PROCESS.~~**

19            ~~—Loan application information and forms may be obtained from the Program Administrator, or~~  
20 ~~such other location or individual as may be determined by the Program Administrator. The application~~  
21 ~~package will indicate procedures for returning completed applications.~~

22  
23            **~~SEC. 66A.12. INITIAL REVIEW OF LOAN APPLICATIONS BY FINANCIAL~~**  
24 **~~CONSULTANT.~~**

25            ~~///~~



1       ~~Applicants shall submit completed applications to the Program Administrator for an initial~~  
2 ~~review of consistency with program requirements. The Program Administrator shall then take one of~~  
3 ~~the following actions:~~

4       ~~(1) Return any incomplete or insufficient loan application to the Applicant, together with a~~  
5 ~~brief explanation of any additional information needed to complete the application; or~~

6       ~~(2) Transmit the complete loan application to the Financial Consultant for review. The~~  
7 ~~Financial Consultant would then (a) assess the application to make sure that it meets the minimum~~  
8 ~~criteria set forth in Sections 66A.4, and (b) develop a summary of the loan package that will aid the~~  
9 ~~review and discussion of the application by the Loan Committee and (c) recommend approval or~~  
10 ~~disapproval of the loan, and provide the basis for such recommendation. The Program Administrator~~  
11 ~~shall provide copies of the Financial Consultant's recommendation to the Applicant at least five days~~  
12 ~~prior to consideration of the application by the Loan Committee.~~

13  
14       **~~SEC. 66A.13. UNREINFORCED MASONRY BUILDING LOAN COMMITTEE.~~**

15       ~~(1) Members. The Loan Committee shall consist of the following members as appointed by~~  
16 ~~the Director of the Mayor's Office of Housing, each of whom shall be voting members:~~

17       ~~(a) The Program Administrator or his/her designee;~~

18       ~~(b) A financial expert or mortgage broker;~~

19       ~~(c) A real estate appraiser or other commercial real estate expert;~~

20       ~~(d) A finance expert, with experience in affordable housing development, from the Mayor's~~  
21 ~~Office of Housing or the successor to that office, or if no such office exists, from a City department with~~  
22 ~~experience in housing development and finance; and~~

23       ~~(e) An engineering cost estimator.~~

24       ~~(2) Quorum. Three members of the Loan Committee shall constitute a quorum for the~~  
25 ~~purposes of accomplishing the duties set forth in Subsection (3) below. A simple majority vote of three~~

1 ~~members shall be necessary to approve any loan application or take any other action. All decisions of~~  
2 ~~the Loan Committee shall be final.~~

3 ~~—(3) Meetings. The Loan Committee shall meet on a monthly basis at a time and place~~  
4 ~~determined by the Loan Committee. The Program Administrator may cancel the required monthly~~  
5 ~~meeting if no applications have been submitted for approval since the previous monthly meeting. All~~  
6 ~~meetings shall be noticed in accordance with applicable State and local law.~~

7 ~~—(4) Duties. The Loan Committee shall perform the following duties:~~

8 ~~—(a) The Loan Committee shall meet on a monthly basis at times and places specified by the~~  
9 ~~Loan Committee, and determine whether to approve or disapprove a loan application. In the case of~~  
10 ~~disapproval, the Loan Committee may indicate the reasons for such disapproval, and the Applicant~~  
11 ~~may choose to reapply in accordance with the requirements of this Chapter 66A.~~

12  
13 **~~SEC. 66A.14. LOAN COMMITTEE DECISIONS.~~**

14 ~~—Even if an Applicant meets all of the eligibility criteria in this Chapter 66A, the Loan~~  
15 ~~Committee may, in its discretion, choose not to approve any proposed Seismic Safety Loan or to~~  
16 ~~approve any Seismic Safety Loan for less than the amount requested by the Applicant.~~

17  
18 **~~SEC. 66A.15. CLOSE OF SEISMIC SAFETY LOAN.~~**

19 ~~—The Program Regulations shall contain procedures for the close of each Seismic Safety Loan,~~  
20 ~~including required title insurance and endorsements for the benefit of the City.~~

21  
22 **~~SEC. 66A.16. LOAN DISBURSEMENTS AND MONITORING DUTIES OF FINANCIAL~~**  
23 **~~CONSULTANT.~~**

24 ~~—(1) In addition to the duties described in Section 66A.12, above, the Financial Consultant~~  
25 ~~shall be responsible for recommending disbursement of Seismic Safety Loan proceeds and monitoring~~

1 construction progress. In addition, the Financial Consultant shall work with those departments or  
2 individuals designated by the Program Administrator to monitor compliance with all applicable loan  
3 documents, Administrative Code Chapters 66 and 66A, and all other applicable State and local laws,  
4 except as provided in Section 66A.23, below. The Financial Consultant shall recommend disbursements  
5 of loan proceeds to the Borrower in accordance with disbursement procedures specified in the  
6 Program Regulations. Such guidelines shall, at a minimum, require the Financial Consultant or his/her  
7 agent to periodically inspect the progress of Seismic Strengthening and to recommend disbursements of  
8 loan proceeds based on the level of completion.

9 ~~—(2) Financial Consultant Fees. The City may pay required fees to the Financial Consultant from the~~  
10 ~~Bond Proceeds.~~

11  
12 ~~SEC. 66A.17. LOAN SERVICING.~~

13 ~~—(1) Duties of Loan Servicer. The Loan Servicer shall receive repayments of Seismic Safety~~  
14 ~~Loans, account for all such repayments, and provide to the Program Administrator monthly statements~~  
15 ~~of such accounts for each outstanding Seismic Safety Loan.~~

16 ~~—(2) Loan Servicing Fees. The City may pay required fees to the Loan Servicer from the Bond~~  
17 ~~Proceeds.~~

18  
19 ~~SEC. 66A.18. BASE WAGES.~~

20 ~~—Except in cases where prevailing wages are paid pursuant to Section 66A.19, all individuals~~  
21 ~~performing work financed in whole or part by a Seismic Safety Loan shall be paid not less than \$10.00~~  
22 ~~per hour, excluding overhead and benefits.~~

23  
24 ~~SEC. 66A.19. PREVAILING WAGES.~~

25 III

1           ~~—In cases where the amount of Seismic Safety loan exceeds \$750,000, all individuals~~  
2 ~~performing such work shall be paid not less than the highest general prevailing rate of wages as~~  
3 ~~determined in accordance with Administrative Code Section 6.22E or other applicable City laws~~  
4 ~~regarding the determination of prevailing wages.~~

5  
6           **~~SEC. 66A.20. PROPERTY/LIABILITY INSURANCE.~~**

7           ~~—As a condition precedent to receipt of a Seismic Safety Loan, the Borrower shall maintain or~~  
8 ~~cause to be maintained insurance in types and amounts determined by the City's Risk Manager and the~~  
9 ~~Program Administrator. The Program Regulations shall include guidelines for such required insurance~~  
10 ~~coverage, which may include but shall not be limited to general liability insurance, property insurance,~~  
11 ~~and workers compensation coverage.~~

12  
13           **~~SEC. 66A.21. HEALTH INSURANCE.~~**

14           ~~Subject to the rules set forth in the Program Regulations, except in cases where prevailing~~  
15 ~~wages are paid pursuant to Section 66A.19, construction contractors eligible to bid on work financed in~~  
16 ~~whole or part by a Seismic Safety Loan should obtain health insurance for their employees. Guidelines~~  
17 ~~regarding the cost and type of health coverage required by this Section shall be specified in the~~  
18 ~~Program Regulations. The cost for such coverage shall be borne solely by the contractor.~~

19  
20           **~~SEC. 66A.22. ECONOMICALLY DISADVANTAGED HIRE REQUIREMENT.~~**

21           ~~—(1) According to a program to be more fully described in the Program Regulations, in cases~~  
22 ~~where the total principal amount of a Seismic Safety Loan is equal to or greater than \$200,000,~~  
23 ~~borrowers shall require that their contractors performing work financed in whole or part by a Seismic~~  
24 ~~Safety Loan hire economically disadvantaged individuals to comprise no less than 25 percent of each~~  
25 ~~contractor's total construction work force, measured in labor hours. For purposes of this Section~~

1 ~~66A.22, an "economically disadvantaged individual" means an individual who earns no more than 50~~  
2 ~~percent of median income for the San Francisco Metropolitan Statistical Area, as determined by the~~  
3 ~~United States Department of Housing and Urban Development from time to time. The Program~~  
4 ~~Administrator will consult with a citywide consortium of tax-exempt nonprofit community-based~~  
5 ~~employment agencies designated in the Program Regulations, to refer and place these economically~~  
6 ~~disadvantaged persons. Should a Seismic Safety Loan Program project be located in a community not~~  
7 ~~represented in the consortium, the Program Administrator will consult with community-based~~  
8 ~~employment agencies that serve the neighborhoods in which Seismic Safety Loan Program financed~~  
9 ~~projects are located.~~

10 ~~—(2) In cases where the total principal amount of a Seismic Safety Loan is less than \$200,00,~~  
11 ~~it shall be a goal that 25 percent of the contractor's new hires be economically disadvantaged~~  
12 ~~individuals, as defined above.~~

13 ~~—(3) Fees for Services. The City may use Bond Proceeds to pay reasonable fees for services~~  
14 ~~provided by placement agencies pursuant to this Section.~~

15  
16 ~~**SEC. 66A.23. MONITORING FOR COMPLIANCE WITH REGULATORY**~~  
17 ~~**AGREEMENTS.**~~

18 ~~—The Mayor's Office of Housing or its successor shall be responsible for monitoring~~  
19 ~~compliance with Regulatory Agreements.~~

20  
21 ~~**SEC. 66A.24. PROGRAM REGULATIONS.**~~

22 ~~—The Program Administrator shall develop Program Regulations to address the issues~~  
23 ~~specified in this Chapter 66A and such other matters as deemed necessary by the Program~~  
24 ~~Administrator for efficient administration of the Program. Such Program Regulations shall be subject~~  
25 ~~to review and approval by the Director of the Mayor's Office of Housing and the City Attorney's Office.~~

1  
2           **~~SEC. 66A.25. PROGRAM MANAGEMENT.~~**

3           ~~—The Director of the Mayor's Office of Housing shall be responsible for management of the~~  
4 ~~Program in accordance with these requirements. The City's Controller's Office upon the direction of~~  
5 ~~the Program Administrator shall be responsible for disbursing from Bond Proceeds the monies needed~~  
6 ~~in connection with any Seismic Safety Loan. The Program Administrator shall direct disbursements in~~  
7 ~~consultation with the Financial Consultant. Disbursements shall be made from time to time or upon the~~  
8 ~~close of a Seismic Safety Loan, as determined by the Controller. The Director of the Mayor's Office of~~  
9 ~~Housing shall appoint an individual to serve as the Program Administrator, who will be responsible for~~  
10 ~~the day-to-day management of the Program.~~

11           **~~SEC. 66A.26. AFFIRMATIVE ACTION.~~**

12           ~~—The City's affirmative action goals, as described in Administrative Code Section 12B.4, shall~~  
13 ~~apply to contractors performing Seismic Strengthening under contracts with Borrowers under this~~  
14 ~~Program. Compliance with those goals shall be monitored by the Director of the Mayor's Office of~~  
15 ~~Housing and the Program Administrator, as specified in Administrative Code Section 66A.25.~~

16  
17           Section 3. Effective Date. This ordinance shall become effective 30 days after  
18 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
19 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
20 of Supervisors overrides the Mayor's veto of the ordinance.

21           ///

22           ///

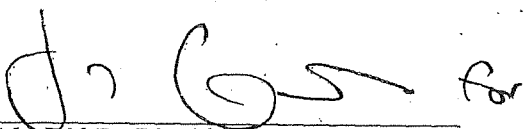
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25           ///

1 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
2 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
3 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
4 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
5 additions, and Board amendment deletions in accordance with the "Note" that appears under  
6 the official title of the ordinance.

7  
8 APPROVED AS TO FORM:  
9 DENNIS J. HERRERA, City Attorney

10  
11 By:   
12 MARK D. BLAKE  
13 Deputy City Attorney  
14 n:\vegana\as2018\1600706\01312433.docx

AMENDED IN COMMITTEE  
10/17/18

FILE NO. 180890

**LEGISLATIVE DIGEST**

[Administrative Code - Seismic Safety Retrofit and Affordable Housing Loan Program]

**Ordinance amending the Administrative Code to conform to the passage by the voters on November 8, 2016, of Proposition C a measure, entitled “Loans to Finance Acquisition and Rehabilitation of Affordable Housing,” and to otherwise conform such sections to current practices and make technical corrections.**

Existing Law

Chapter 66 and Chapter 66A administers the City’s Seismic Safety Loan Program (“SSLP”). The program was intended to provide loans for the seismic strengthening of unreinforced masonry buildings. The proposed amendment changes the authorized use of these bond funds, for which approximately \$260 million remains authorized but unissued.

Background Information

In November 2016, the voters approved Proposition C to amend the City’s Seismic Safety Loan Program (“SSLP”) (originally adopted by the voters in 1992 to authorize the issuance of \$350 million of general obligation bonds to make seismic safety loans). Proposition C expanded the authorized uses for the SSLP to allow funds to be used for loans to acquire, improve and rehabilitate at-risk multi-unit residential buildings in need of seismic, fire, health or safety upgrades or other major rehabilitation; and convert those buildings to permanent affordable housing.

The proposed amendment to Chapter 66 and Chapter 66A are intended to implement changes arising from the passage of Proposition C. Chapter 66 is revised to make technical changes to certain definitions and to delegate to the Director of Housing the responsibility to develop and publish regulations for the revised SSLP.

The amendments delete Chapter 66A in its entirety.

The Ordinance also authorizes the City to bring an action under Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the California Code of Civil Procedure, to determine the validity of any bonds issued pursuant to fund the SSLP, Chapter 66, the validity of any loans made under the SSLP.

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Mayor's Office of Housing and Community Development  
City and County of San Francisco  
8-30-18 DRAFT FOR INTRODUCTION



London N. Breed  
Mayor

Kate Hartley  
Director

## Program Regulations

### *Seismic Safety Retrofit and Affordable Housing Loan Program*

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The purpose of these Program Regulations (the “**Regulations**”) is to implement the Seismic Safety Retrofit and Affordable Housing Loan Program (the “**Program**”) for the City and County of San Francisco (the “**City**”). Chapter 66 of the City’s Administrative Code (“**Chapter 66**”) delegates to the Mayor’s Office of Housing and Community Development (“**MOHCD**”) the authority to promulgate these Regulations for the purpose of ensuring efficient and transparent administration of the Program.

#### 1. GENERAL INFORMATION

- 1.1. **Defined Terms.** Any capitalized terms not defined herein have the meanings given in Chapter 66. With respect to defined terms, words used in the present tense include the future, words stated in the masculine gender include the feminine and neuter, and the singular number includes the plural and the plural, the singular.
- 1.2. **Effective Date, Amendments.** These Regulations are effective as of [LOAN COMMITTEE APPROVAL DATE] and may be amended at the discretion of the Director of MOHCD (the “**Director**”). Any such amendments shall be drafted in consultation with the City Attorney’s Office and shall not become effective until approved by the Citywide Affordable Housing Loan Committee (the “**Loan Committee**”). Such amendments must also be reported to the City’s General Obligation Bond Oversight Committee at the first meeting of that committee following the effective date of the amendment.
- 1.3. **Publication.** The Director shall publish these Regulations, as amended from time to time, on MOHCD’s website and in such other public places as the Director may deem appropriate, and shall provide these Regulations to persons requesting a written copy hereof.
- 1.4. **Source and Availability of Funds.** The funds used to provide Loans under the Program are held in the Seismic Safety Retrofit and Affordable Housing Loan Fund established pursuant to Chapter 66 (the “**Fund**”). The Fund is capitalized with (a) proceeds of general obligation bonds issued from time to time by the City (the “**Bonds**”), (b) certain payments received in connection with loans of Bond proceeds under the Program (“**Loans**”), and (c) net proceeds of any Secondary Market Transfers as described in §11 below. These funds may be issued directly to Borrowers (as defined in §2.2 below) in the form of Loans or may be used to take out interim sources of Loan funds (e.g., lines of credit or bond anticipation notes).

- 1.5. **Term Sheet.** The contents of these Regulations are summarized for reference in the term sheet attached hereto as EXHIBIT A.

## 2. LOAN TERMS AND CONDITIONS

All Loans shall be either Market Rate Loans (“MR Loans”) or Below Market Rate Loans (“BMR Loans”), each of which shall be structured and administered as described below. For the purposes of these Regulations, “Property” means any legal parcel(s) of real property and improvements eligible for a Loan under the Program, and subject to a Declaration of Restrictions, as provided hereunder, and “Project” means the improvements on such Property.

- 2.1. **Eligible Properties.** The proceeds of Loans may be used to cover costs associated with (i) the acquisition, improvement, and/or rehabilitation of at-risk multi-unit residential buildings; (ii) the conversion of such buildings to permanent affordable housing; and (iii) financing the cost of needed seismic, fire, health, and safety upgrades or other major rehabilitation for habitability of such structures and for unreinforced masonry buildings. Proceeds of a Loan shall not be used to finance new construction of a building or acquisition of a building without improvement and/or rehabilitation of such building. Mixed-use Properties are eligible to receive Loans, provided that the majority of the improvements thereon (as determined by square footage or dollar value) are used for residential purposes. MOHCD may issue to a particular Property any number of MR Loans, BMR Loans, and Deferred Loans (as such term is defined in Chapter 66) in any combination thereof.

All residential units at Properties must fully conform with City Planning Code requirements applicable to the Property, including zoning, building code compliance, and any relevant neighborhood plan controls. Where there are tenants living in unpermitted units and the units meet minimum livability standards according to Chapter 5 of the San Francisco Housing Code of 2016, Loans may be used to bring such units into compliance with permitting requirements.

A Project defined as a “Residential Hotel” under Chapter 41 of the City’s Administrative Code is eligible to receive a Loan; a Project defined as a “Tourist Hotel” under that chapter is not eligible to receive a Loan.

- 2.2. **Eligible Borrowers.** Recipients of Loans (“Borrowers”) may be either for-profit or not-for-profit enterprises. However, MOHCD may grant preference to not-for-profit entities when allocating Loan funds. Also, as part of the Loan underwriting process, MOHCD will evaluate all prospective Borrowers based on the enterprise risk criteria described in §6.1 below.

Eligible Borrowers may be organized as special-purpose, single-asset entities. In such cases, MOHCD may look to the entity or entities that ultimately own or control the Borrower (the “Sponsors”) when assessing enterprise risk, seeking financial guarantees, or for other purposes.

- 2.3. **Interest Rates.** For the purposes of this §2.3, “Cost of Funds” for a given Loan means the true interest cost applicable to the Bond proceeds funding that Loan. MR Loans shall bear a rate of interest that, when coupled with the annual administrative fees charged by the City, yields a total return to the City that equals their Cost of Funds, plus 100 basis points. BMR Loans shall bear a rate of interest that yields at least one-third of their Cost of Funds.

MOHCD will maintain a list of estimated interest rates for Loans based on the true interest cost applicable to recent general obligation bond issuances and will provide rate locks and/or forward commitments for approved Loans as needed.

- 2.4. Loan Term, Amortization, Prepayments.** Loans issued to finance a Project during the construction and/or stabilization phase (“**Acquisition/Construction Loans**”) shall mature and complete amortization no later than 36 months from the date upon which they are funded (“**Closing**”). Loans issued to finance a Project beyond such construction and/or stabilization phase (“**Permanent Loans**”) shall mature no later than 30 years from Closing and complete amortization no later than 40 years from Closing.

With the exception of Deferred Loans, all Permanent Loans shall be fully amortizing. Construction Loans may be structured with bullet maturities.

Prepayments of Acquisition/Construction Loans are subject to a prepayment penalty to be determined during the application process, while Permanent Loans may be prepaid subject to yield maintenance requirements (also determined during the application process) after 10 years or prepaid at par after 12 years.

- 2.5. Security, Lien Position.** All Loans shall be fully secured by a first-position lien against the fee interest in the Property and any improvements financed with Loan proceeds. When applicable, MOHCD may agree to secure its Loan against the leasehold interest if all other loans and agreements are also to be recorded against the Leasehold interest. No junior loans may mature prior to a Loan.
- 2.6. Additional City/OCII Funding.** Loans may be combined with other financing from the City or the Office of Community Investment and Infrastructure (“**OCII**”), including grants and subordinate gap loans, as necessary and subject to availability.

### 3. AFFORDABILITY RESTRICTIONS

For the purposes of these Regulations, “**Household**” means the tenant or tenants occupying a given unit at a Property, and income restrictions are stated in terms of Area Median Income (“**AMI**”), which means the area median income as published annually by MOHCD, derived from the Income Limits determined by the U.S. Department of Housing and Urban Development for the San Francisco area, adjusted solely for Household size, but not high housing cost area, also referred to as “unadjusted median income.”

In general, all Properties financed by Loans shall be subject to an agreement to be executed by the Borrower and recorded against the Property as a condition precedent to receiving the Loan in order to permanently restrict rents at the Property at affordable levels (a “**Declaration of Restrictions**”). Each Declaration of Restrictions must (a) be recorded in first position on title, (b) be senior to all deeds of trust, (c) restrict all units to Households earning no more than 120% of AMI at turnover, and (d) require that the Project’s combined average rents are no higher than 80% of AMI. MOHCD reserves the right to require deeper affordability (e.g., lower AMI caps) on any Property. The term of each Declaration of Restrictions shall be sufficient to ensure that units acquired, improved, or rehabilitated under the Program remain affordable (a) in the case of units financed by MR Loans, for the original term of the Loan (regardless of whether the Loan is prepaid) and (b) in the case of units financed by BMR Loans, for as long as all or any portion of the buildings financed with the Loan operate as multi-family residential facilities.

Notwithstanding the foregoing, for Properties financed by MR Loans with no current or previous funding from a BMR Loan, MOHCD may grant an exemption from the requirement to record a Declaration of Restrictions (an "Exemption") if the Applicant executes a legally binding agreement to ensure that (a) the majority of any Loan proceeds will be used to finance the cost of needed seismic, fire, health, and safety upgrades or other major rehabilitation critical to maintaining habitability at the Property or (b) at the time of Closing and for at least ten years thereafter, the Property will be wholly owned and operated by a non-profit entity approved by MOHCD.

As a condition precedent to Loan approval, Borrowers of MR Loans for Properties not subject to City-imposed affordability restrictions must agree to refrain from passing through to tenants (as a capital improvements rent increase or otherwise) the cost of rehabilitation efforts financed with funds from such Loans.

For Properties that have received a combination of MR Loan and BMR Loan financing, all affordability restrictions applicable to BMR Loans shall apply to the entire Property.

#### 4. CITY CONTRACTING AND OTHER REQUIREMENTS

All Loans shall be subject to the requirements described below and explained in greater detail in the Loan Agreement (as defined in §8 below), Declaration of Restrictions, and any other Loan-related documents to which the City is a party (collectively the "Loan Documents").

- 4.1. **City Contracting Requirements.** As a condition precedent to receiving a Loan, all Borrowers must agree to comply with all City contracting requirements, including but not limited to (a) health insurance requirements, (b) the Local Business Enterprise and Non-Discrimination in Contracting Program in Administrative Code Section 14B, (c) the First Source Hiring Program in Administrative Code Section 83, and (d) the highest general prevailing rate of wages as determined in accordance with Administrative Code Section 6.22E or other applicable City and state<sup>1</sup> laws. These requirements are described in detail in the document attached hereto as **EXHIBIT B**, the provisions of which (as amended from time to time) are incorporated by reference herein and shall be incorporated into the Loan Documents.
- 4.2. **Property/Liability Insurance.** As a condition precedent to receipt of a Loan, the Borrower shall obtain and agree to maintain insurance in the types, coverages, and amounts determined by the City's Risk Manager and the Director. These insurance-related requirements are described in detail in the document attached hereto as **EXHIBIT C**, the provisions of which (as amended from time to time) are incorporated by reference herein and shall be incorporated into the Loan Documents.
- 4.3. **Anti-Displacement Policy and Relocation Requirements.** As a matter of policy, tenants must not be evicted or otherwise permanently displaced as a result of a Project's participation in the Program. If Program-financed construction will require residential tenants to be temporarily relocated, Borrowers must facilitate and cover all costs associated with such relocation. As a condition precedent to Closing, Borrowers will be required to demonstrate their willingness, preparation, and ability to undertake necessary relocation by submitting to MOHCD a relocation budget and a detailed relocation plan the provisions of which are consistent with the following:
  - Residential tenants shall not incur costs related to relocation but will continue to pay rent for their original unit.

<sup>1</sup> For example, Section 1720(a)(1) of the California Labor Code provides that a construction project is subject to prevailing wage requirements if it is "paid for in whole or in part out of public funds..."

- The Borrower shall dedicate staff or provide a relocation consultant to provide advisory services to residential tenants during the relocation process.
- Notice shall be given to all tenants (residential and commercial) 90 days and 30 days prior to commencement of relocation.
- For residential tenants, adequate temporary housing will be provided that is in decent, safe, and sanitary condition and of comparable size to a tenant's units at the Project.
- In lieu of physical relocation, any commercial tenants shall be offered a temporary suspension of rent due plus a negotiated lump sum to ensure that the business is able to withstand relocation.
- Relocation and rent-concession agreements must be documented and signed by all applicable parties prior to commencement of construction.

## 5. PROGRAM COSTS

All Loans shall be subject to certain upfront costs, annual costs, reimbursement requirements, and indemnification requirements as described below.

**5.1. Underwriting Deposit.** Upon submission of the application for a Loan described in §7.1 below (the "**Application**"), the Borrower must pay a non-refundable deposit in the amount of \$5,000 to cover the cost of the underwriting process (the "**Underwriting Deposit**"). If the Loan closes, MOHCD will deduct the amount of the Underwriting Deposit from the City's Origination Fee collected at Closing (See §5.2 below). MOHCD may waive the required Underwriting Deposit for Projects receiving gap financing from the City or OCII.

The terms and conditions associated with MOHCD's administration of the Underwriting Deposit (including provisions related to forfeiture) are further described in the Deposit and Indemnification Agreement associated with each Project.

**5.2. Origination Fee.** MOHCD receives compensation for underwriting and closing Loans by charging an up-front fee equal to the greater of \$15,000 or 1.25% of the total Loan funds disbursed. This fee must be paid in full at Closing.

**5.3. City Attorney Expenses.** The City Attorney's Office bills MOHCD for staff time and resources associated with its work as lender counsel ("**CAO Expenses**"). MOHCD will include in its closing invoice to the Borrower a separate line item (in addition to the Origination Fee) in the amount of \$15,000 to offset any CAO Expenses billed to MOHCD.

**5.4. Compliance Monitoring Fee.** MOHCD charges an annual fee to monitor a Project's compliance with the Loan Documents (the "**Compliance Monitoring Fee**"). The initial installment of the Compliance Monitoring Fee for all Projects, which must be paid in full at Closing to cover the first year of monitoring, is the greater of 0.05% (5-basis points) of the total Loan funds disbursed or \$2,500. Thereafter, the Compliance Monitoring Fee for the coming year for each Loan, which is due on the anniversary of the Closing date, is \$2,500. For Properties subject to City-imposed affordability restrictions, the Compliance Monitoring Fee is payable annually in advance for the duration of such restrictions. For Properties not subject to such restrictions, the Compliance Monitoring Fee is payable annually in advance through Loan maturity or prepayment. MOHCD will not refund any portion of a previously collected Compliance Monitoring Fee in the event of Loan prepayment.

5.5. **Loan Servicing Fee.** MOHCD charges an annual fee in the amount of \$2,500 to cover the cost of collecting and processing monthly Loan payments and conducting other Loan servicing functions (the "Loan Servicing Fee"): The first installment of the Loan Servicing Fee for all Projects, which covers the first year of servicing, must be paid in full at Closing. Thereafter, the Loan Servicing Fee for the coming year is due annually in advance on the anniversary of the Closing date through Loan maturity or prepayment. MOHCD will not refund any portion of a previously collected Loan Servicing Fee in the event of Loan prepayment. For MR Loans, the interest rate includes the cost of this fee (see §2.3 above).

5.6. **Reimbursement and Indemnification.** In exchange for participation in the Program, the Borrower must reimburse the City for expenses reasonably incurred in connection with preparation for Closing, including but not limited to: architectural and engineering review, appraisal and appraisal review, environmental review, inspections, documentation fees, legal fees (including CAO Expenses), mortgage taxes, transfer taxes, all recording costs and filing fees, all license and permit fees, and all title and other insurance premiums (collectively, "City Expenses"). For Loans that have closed, MOHCD assumes that City Expenses are reimbursed by the fees and charges collected pursuant to §§5.1-5.3 above and will not seek additional reimbursement for City Expenses from the Borrower. However, where a Loan has failed to close and MOHCD is no longer committed to closing that Loan (e.g., a Loan declared null and void pursuant to §8 below), the Borrower must reimburse the City for City Expenses within 30 days after the City's written demand for the same.

In case any action at law or in equity, including an action for declaratory relief, is brought against the Borrower to enforce the provisions of the Loan Documents, the Borrower must pay reasonable attorney's fees and other reasonable expenses incurred by the City or its agents in connection with such action.

The Borrower must also defend and indemnify and hold the City harmless for any costs incurred by the City related to any claim, lawsuit, liability, or loss in connection with a Loan, regardless of whether the Borrower is negligent.

The City reserves the right to require a personal or corporate guaranty (e.g., from a parent company) in order to strengthen the indemnification and expense reimbursement obligations described above.

Additional terms and conditions associated with the Borrower's indemnification and reimbursement obligations to the City are described in the Deposit and Indemnification Agreement negotiated and executed in connection with the Application.

## 6. UNDERWRITING CRITERIA

The following criteria shall apply to MOHCD's underwriting of Loans:

6.1. **Enterprise Risk.** MOHCD will assess each prospective Borrower's enterprise-level risk based on the entity's capacity for both project management and asset management. In general, the Borrower's project manager must have experience with at least one comparable, successfully completed project or be assisted by a consultant or other staff person with such experience. When relying on a consultant, the consultant's resume should demonstrate that the consultant has successfully managed all aspects of at least two comparable development projects in the recent

past. The Borrower must demonstrate that all project management staff assigned to a Project (whether internal staff or consultants) have adequate time to commit to the Project.

Regarding asset management, the Borrower must provide information requested by MOHCD describing asset management staffing plans and demonstrate its ability to manage the financial performance and capital needs of its existing and future assets. MOHCD will use the information provided to verify that the Borrower's approach to asset management meets the City's stewardship expectations, particularly with regard to timely performance of capital needs assessments, maintaining adequate replacement reserves, and timely collection of tenant rents.

**6.2. Due Diligence Items.** In connection with each Application, MOHCD will request, and the Borrower shall promptly provide, all documentation necessary to establish a Project's creditworthiness. Standard due diligence items include the following:

- Appraisal, ordered by MOHCD, providing the following values for the Property—
  - an "as-is" market value for the Property and
  - an "as-rehabilitated and restricted" market value for the Property assuming (a) completion of Property rehabilitation and (b) implementation of any MOHCD rent restrictions;
- Phase I Environmental Site Assessment Report and, if necessary based on the findings of the Phase I, a Phase II Environmental Site Assessment Report;
- Physical Needs Assessment ("PNA");
- Zoning analysis, detailing current and future zoning and accounting for future entitlements and other requirements;
- Project description;
- Project pro forma and cash flow analysis;
- Full Project development budget;
- Detailed acquisition and predevelopment budget;
- 3 years of audited financials plus the most recent unaudited financials for the Sponsor;
- List of contingent liabilities;
- Proposed project schedule;
- Evidence of insurance;
- ALTA survey; and
- Organizational documents for the Sponsor and Borrower.

**6.3. Loan-to-Value Ratio.** All Projects must demonstrate, via a cash flow analysis covering the Loan term, a loan-to-value ratio ("LTV") that does not exceed the lesser of (a) 90% of appraised value or (b) 80% of total development costs. For the purposes of calculating a Project's LTV, the Project's value must be substantiated by a MOHCD-approved appraisal. MOHCD reserves the right to decline an Application due to an unreasonable acquisition price. As described in §3.2 above, appraisals submitted in connection with Applications must show both an "as-is" market value for the Property and an "as-rehabilitated and restricted" market value for the Property.

**6.4. Debt Service Coverage Ratio.** All Projects must demonstrate, via a cash flow analysis covering the Loan term, a debt service coverage ratio ("DSC") of at least 1.10x. DSC will be calculated by dividing net operating income, which is defined as Project revenue less expenses and required reserve deposits, by Loan payments.

**6.5. Reserve Requirements.** MOHCD requires all Projects to set aside reserves in separate interest-bearing accounts as described below.

**6.5.1. Operating Reserves; Capitalized Amounts and Annual Deposits.** In connection with Closing, Projects must reserve in an Operating Reserve Account an amount equal to at least 25% of budgeted operating expenses for the first full year of operations (including hard debt service).

No annual deposits are required unless the balance in the Operating Reserve Account drops below 25% of the prior year's operating expenses (including hard debt service), in which case the Borrower must, if practicable, deposit into the account an amount equal to the greater of (a) 25% of budgeted operating expenses for the next full year of operations (including hard debt service) or (b) the Operating Reserve Account deposit required at Closing. Any such required payments would be made from cash flow that remains after all other required payments are made (e.g., hard debt service, other reserve payments).

**6.5.2. Replacement Reserves; Capitalized Amounts and Annual Deposits.** In connection with Closing, Projects must reserve in a Replacement Reserve Account an amount equal to the greater of (a) of \$2,000 per unit or (b) the amount necessary to pay all replacement costs for the 10 years following Closing, as specified in an approved PNA (taking into account the scope of work planned in connection with Closing).

MOHCD requires annual deposits into the Replacement Reserve Account equal to the greater of (a) the amount needed according to an approved 20-year PNA or (b) the amounts listed in the following table:

Number of Units at the Project (including commercial units)	Per-Unit Per-Year Replacement Reserve Deposits (including commercial units)
<10	\$400
11-25	\$375
>25	\$350

In addition to the deposits listed above, any property taxes that were included in a Project's development budget and later refunded by the City's tax collector must be deposited into the Project's Replacement Reserve Account.

**6.5.3. Capitalized Vacancy Reserves.** In connection with Closing, Projects must reserve in a Vacancy Reserve Account an amount equal to the monthly rent for commercial and residential units that are vacant at acquisition multiplied by the number of months such units will remain vacant during predevelopment, rehabilitation, and marketing/lease-up.

**6.5.4. Other Reserves.** MOHCD reserves the right to require additional reserves in connection with the Loan underwriting process.

**6.6. Key Operating Assumptions.** Key operating assumptions in the MOHCD pro forma operating budget for each Project include the following:

**6.6.1. Vacancy Allowance.** Budgets typically assume annual economic vacancy equal to 5% of residential rental income and 20% of commercial rental income. MOHCD may increase or decrease the residential vacancy percentage based on the five most recent years of audited financial data. MOHCD may reduce the commercial vacancy percentage to as low as 5% upon demonstration of a long-term, stable tenant and/or strong market conditions that



would facilitate rapid lease-up should the commercial space become vacant; conversely, MOHCD may increase this percentage to account for a weak market.

**6.6.2. Construction Contingency.** Budgets must assume a contingency set-aside for unforeseen conditions and minor errors and omissions related to any construction equal to 15% of a Project's total construction budget.

**6.6.3. Income and Expense Growth.** Budgets must assume no more than 2.5% annual growth in operating income and no less than 3.5% annual growth in operating expenses.

## 7. LOAN APPROVAL PROCESS

The process of approving Applications submitted to MOHCD shall proceed as described below.

**7.1. Application.** To initiate the Loan approval process, prospective Borrowers must submit an Application to MOHCD. Application information and forms shall be made available by the Director and published on MOHCD's website, or such other convenient location as may be determined by the Director. The Application package will indicate procedures for returning a completed Application, and the expected time frame for the processing thereof.

The elements of a typical Application package include the following:

- An Application for Program Financing Form;
- A MOHCD Pro Forma workbook;
- A Deposit and Indemnification Agreement;
- An organizational chart for the Project (including the hierarchical relationships, ownership percentages, official names, entity types, and state of formation for all entities that have ownership and/or control interests in the Borrower entity as of Application submission or will have such interests as of Closing);
- A narrative description of experience with similar projects (for the Sponsor as well as its partners);
- A draft Distribution List with contact information for known transaction parties; and
- A check for the Underwriting Deposit as described in §5.1 above.

**7.2. Preliminary Approval/Denial.** Following Application submission, MOHCD staff will review the Application for consistency with these Regulations and MOHCD's policy priorities, resolve any follow-up inquiries with the Borrower, and present the Application to the Director for evaluation. The Director will either approve or deny the Application (respectively, "**Preliminary Approval**" or "**Preliminary Denial**"). Preliminary Approval is merely MOHCD's preliminary finding that, based on the information provided in the Application (in original form or as subsequently amended), the proposed financing (1) is generally feasible, (2) can be executed in a manner consistent with these Regulations, and (3) is recommended for approval by the Loan Committee (as applicable).

Preliminary Approval DOES NOT (1) represent any commitment by the City to proceed with the proposed financing; (2) authorize any gap financing by MOHCD, OCII, or the City; (3) signify that the Project complies with the planning, zoning, subdivision, or building, laws or ordinances of the City; or (4) suggest that MOHCD, the City, or any officer or agent of MOHCD or the City will grant any other approval, consent, or permit that may be required in connection with a given Project.

Any Preliminary Denials will be in writing and will state the basis for denial. Borrowers may appeal Preliminary Denials to the Director within 10 days of being notified of such denials; any Preliminary Denial not appealed within this 10-day timeframe shall be considered a Final Denial (and thus subject to the terms of §7.3 below). Any appeals of Preliminary Denials must be submitted in writing; the Director's subsequent denial of any such appeal shall also be considered a Final Denial.

- 7.3. **Final Approval/Denial.** Following Preliminary Approval, Applications shall be submitted to the Loan Committee for evaluation and final approval or denial as described below. Regardless of whether an Application meets all of the eligibility criteria in these Regulations, the Loan Committee may, in its discretion, choose to deny the Application (also a "Final Denial") or to approve the application (a) with modifications (e.g., a lower Loan amount than requested by the Applicant), (b) subject to certain conditions, or (c) without conditions (each, a "Final Approval").

Notwithstanding the foregoing, with respect to Loans for Projects that have already received a funding commitment from MOHCD's Small Sites Program ("SSP"), Final Approval or Final Denial may be issued pursuant to the SSP Program Guidelines.

Final Denials are not subject to appeal; Applicants who wish to submit an Application for reconsideration following a Final Denial must compensate the City for its costs associated with the denied Application and complete the entire Application process again (including, without limitation, payment of an additional Underwriting Deposit).

## 8. LOAN CLOSING AND DISBURSEMENTS

Following Loan approval, MOHCD will oversee the Closing and disbursement processes. MOHCD staff will work with Applicants and other relevant transaction parties in good faith to complete any remaining due diligence, attend regular closing calls, finalize legal documents, and proceed as quickly as practicable to Closing and disbursement of Loan funds ("Disbursement").

Unless otherwise agreed by MOHCD and the Borrower in writing, the Borrower shall establish an escrow account with the title company issuing the title policy associated with the Project, or any other escrow agent the Borrower chooses, subject to MOHCD approval (the "Escrow/Title Agent"). The parties shall execute and deliver to the Escrow/Title Agent written instructions consistent with these Regulations and the loan agreement by and between the Borrower and the City to be executed in connection with the Loan (the "Loan Agreement"). All conditions precedent to Closing and Disbursement shall be fully described in the Loan Agreement. In the event the escrow does not close on or before the expiration date of escrow instructions signed by MOHCD, or any other date MOHCD specifies, MOHCD may declare the Application and the Loan Agreement to be null and void.

The Borrower shall timely submit draw requests—in connection with Closing and throughout the construction process, as applicable—in accordance with the Loan Agreement. MOHCD staff will process draws with due dispatch and will monitor construction progress pursuant to the terms of the Loan Agreement.

## 9. COMPLIANCE MONITORING

MOHCD will monitor the Borrower's compliance with the Loan Documents and will take such actions as are necessary to enforce provisions of the Loan Documents. Also, as needed, MOHCD staff will work with those departments or individuals designated by the Director to monitor compliance with Chapter 66, and all other applicable federal, state, and local laws. The Compliance Monitoring Fee is intended to cover the cost of this monitoring for each Loan.

## 10. LOAN SERVICING

MOHCD will receive repayments of Loans, account for all such repayments, provide to the Director annual statements of such accounts for each outstanding Loan, and oversee all other administrative functions related to the maintenance of Loans prior to their maturity or prepayment ("Loan Servicing"). MOHCD may retain, from time to time, agents as desirable to conduct some or all of the Loan Servicing operations related to a specific Loan or pool of Loans. The Loan Servicing Fee is intended to cover the cost of Loan Servicing for each Loan, whether conducted by MOHCD or its agents.

## 11. SECONDARY MARKET TRANSFERS

The City may retain outstanding Loans as assets through their maturity or prepayment or may transfer such Loans to another entity (e.g., via whole-loan sales or securitization) (a "Secondary Market Transfer"). MOHCD shall, in consultation with the City Attorney's Office and other outside advisors as needed, oversee any Secondary Market Transfers and shall ensure that the net proceeds of such transfers are disbursed in a manner consistent with these Regulations, Chapter 66, and other applicable laws and regulations.

## 12. EXCEPTIONS, WAIVERS

Where consistent with applicable laws and regulations, MOHCD reserves the right to waive any portion of these Regulations, or to make exceptions on a case-by-case basis. Such waivers and/or exceptions shall be granted through the written approval of the Director of MOHCD, in consultation with the Loan Committee.

**EXHIBIT A**  
**Program Term Sheet**

This program term sheet (the "Term Sheet") summarizes key provisions of the *Seismic Safety Retrofit and Affordable Housing Loan Program Regulations* (the "Regulations") for the City and County of San Francisco (the "City"). The Regulations describe the terms and conditions applicable to the Seismic Safety Retrofit and Affordable Housing Loan Program (the "Program") administered by the Mayor's Office of Housing and Community Development ("MOHCD") on behalf of the City. In the case of discrepancies between this Term Sheet and the Regulations, the Regulations shall prevail. Unless otherwise indicated, all section references herein refer to sections in the Regulations. Any capitalized terms not defined herein have the meanings given in the Regulations.

		§§	
<b>General Loan Terms</b>	<b>Eligible Properties</b>	Loans may be used to finance (i) the acquisition, improvement, and/or rehabilitation of at-risk multi-unit residential buildings; (ii) the conversion of such buildings to permanent affordable housing; and (iii) needed seismic, fire, health, and safety upgrades or other major rehabilitation for habitability of such structures. Loan proceeds <u>shall not</u> be used to finance new construction or acquisition of a building without substantial improvement and/or rehabilitation of such building. Mixed-use Properties are eligible to receive Loans, provided that the majority of the existing improvements thereon (as determined by square footage or dollar value) are used for residential purposes.	2.1
	<b>Interest Rates</b>	<b>Market Rate Loans</b> shall bear a rate of interest that, when coupled with the annual administrative fees charged by the City, yields a total return to the City that equals the true interest cost applicable to the Bond proceeds funding a given Loan, plus 100 basis points. <b>Below Market Rate Loans</b> shall bear a rate of interest that yields at least one-third of such true interest cost.	2.3
	<b>Loan Term, Amortization, Prepayments</b>	Acquisition/Construction Loans shall mature and complete amortization no later than 36 months from the date upon which they are funded ("Closing"). Permanent Loans shall mature no later than 30 years from Closing and complete amortization no later than 40 years from Closing. Prepayments of Construction Loans are subject to a prepayment penalty to be determined during the application process, while Permanent Loans may be prepaid subject to yield maintenance requirements after 10 years or prepaid at par after 12 years. In general, all Permanent Loans must be fully amortizing. Construction Loans may be structured with bullet maturities.	2.4
	<b>Security, Lien Position</b>	All Loans shall be fully secured by a first-position lien against the fee interest in the Property and any improvements financed with Loan proceeds. When applicable, MOHCD may agree to secure its Loan against the leasehold interest if all other loans and agreements are also to be recorded against the Leasehold interest. No junior loans may mature prior to a Loan.	2.5
<b>Affordability Restrictions &amp; Regulatory Requirements</b>	<b>Affordability Restrictions</b>	In general, all Properties financed by Loans shall be subject to a Declaration of Restrictions ("DOR") recorded against the Property which must (a) be recorded in first position on title, (b) be senior to all deeds of trust, (c) restrict all units to Households earning no more than 120% of AMI at turnover, and (d) require that the Project's combined average rents are no higher than 80% of AMI. The term of each DOR shall be sufficient to ensure that units remain affordable (a) in the case of <b>Market Rate Loans</b> ("MR Loans"), for the original term of the Loan and (b) in the case of <b>Below Market Rate Loans</b> ("BMR Loans"), permanently. Borrowers of MR Loans may seek an exemption from the DOR requirement as described in §3 of the Regulations, but such Borrowers may not pass through to tenants the cost of renovations financed with such Loans. For Properties that have received a combination of MR Loan and BMR Loan financing, all affordability restrictions applicable to BMR Loans shall apply to the entire Property.	3
	<b>Contracting Requirements</b>	Borrowers shall comply with all City contracting requirements, including but not limited to (a) health insurance requirements, (b) the Local Business Enterprise and Non-Discrimination in Contracting Program, (c) the First Source Hiring Program, and (d) the highest general prevailing rate of wages as determined in accordance with applicable City and state laws. These requirements are described in detail in EXHIBIT B of the Regulations.	4.1; Exh. B
	<b>Insurance Requirements</b>	Borrowers shall obtain and agree to maintain insurance in the types, coverages, and amounts determined by the City's Risk Manager and the Director. These requirements are described in detail in EXHIBIT C of the Regulations.	4.2; Exh. C

	<b>Displacement and Relocation</b>	Tenants must not be evicted or otherwise involuntarily and permanently displaced as a result of a Project's participation in the Program. If Program-financed construction will require residential tenants to be temporarily relocated, Borrowers must submit to MOHCD a detailed relocation budget/plan prior to Closing and cover all relocation-related costs. Borrowers must also compensate commercial tenants for construction-related disruptions.	4.3; 4.4
<b>Program Costs</b>	<b>Underwriting Deposit</b>	Borrowers must pay a non-refundable deposit in the amount of \$5,000. If the Loan closes, MOHCD will deduct the amount of this deposit from the City's Origination Fee collected at Closing. MOHCD may waive the deposit for Projects receiving gap financing from the City or OCII.	5.1
	<b>Origination Fee</b>	This fee, which must be paid in full at Closing, is equal to the greater of \$15,000 or 1.25% of the total Loan funds disbursed.	5.2
	<b>City Attorney Expenses</b>	The City Attorney's Office bills MOHCD for staff time and resources associated with its work as lender counsel ("CAO Expenses"). These expenses typically range from \$15,000 to \$35,000, depending on the size and complexity of the transaction and the presence of MOHCD or OCII gap financing. MOHCD will include in its closing invoice to the Borrower a separate line item (in addition to the Origination Fee) in the amount of \$15,000 to offset any CAO Expenses billed to MOHCD.	5.3
	<b>Compliance Monitoring Fee*</b>	The initial installment of this fee for all Loans, which must be paid in full at Closing to cover the first year of monitoring, is the greater of 0.05% (5 basis points) of the total Loan funds disbursed or \$2,500. Thereafter, the fee for the coming year for each Loan, which is due on the anniversary of the Closing date, is \$2,500. For Properties subject to City-imposed affordability restrictions, the fee is payable annually in advance for the duration of the restrictions. For Properties not subject to such restrictions, the fee is payable annually in advance through Loan maturity or prepayment.	5.4
	<b>Loan Servicing Fee*</b>	The cost of this fee is \$2,500 annually in advance. The first installment of the fee for all Projects, which covers the first year of servicing, must be paid in full at Closing. Thereafter, the fee for the coming year is due on the anniversary of the Closing date through Loan maturity or prepayment.	5.5
	<b>Reimbursement and Indemnification</b>	The Borrower must reimburse the City for all expenses reasonably incurred in connection with preparation for Closing, including but not limited to: architectural and engineering review, appraisal and appraisal review, environmental review, inspections, documentation fees, legal fees (including CAO Expenses), mortgage taxes, transfer taxes, all recording costs and filing fees, all license and permit fees, and all title and other insurance premiums (collectively, "City Expenses"). For Loans that have closed, MOHCD assumes that City Expenses are reimbursed by the fees and charges described above and will not seek additional reimbursement. However, where a Loan has failed to close and MOHCD is no longer committed to closing that Loan, the Borrower must reimburse the City for City Expenses within 30 days after the City's written demand for the same. The Borrower is also subject to certain indemnification requirements described in the Regulations and the Deposit and Indemnification Agreement.	5.6
<b>Underwriting Criteria</b>	<b>Enterprise Risk</b>	MOHCD will assess each prospective Borrower's capacity for both project management and asset management. The Borrower's project manager must have experience with at least one comparable, successfully completed project or be assisted by a consultant or other staff person with adequate experience. Also, the Borrower must provide asset management staffing plans and demonstrate its ability to manage the financial performance and capital needs of its portfolio.	6.1
	<b>Loan-to-Value Ratio</b>	Projects must demonstrate, via a cash flow analysis covering the Loan term, a loan-to-value ratio that does not exceed the lesser of (a) 90% of appraised value or (b) 80% of total development costs.	6.3
	<b>Debt Service Coverage Ratio</b>	Projects must demonstrate, via a cash flow analysis covering the Loan term, a debt service coverage ratio of at least 1.10x.	6.4

\*For Market Rate Loans, these fees are included in the interest rate (see "Interest Rates" above).

	<b>Operating Reserves</b>	Projects must reserve in an Operating Reserve Account an amount equal to at least 25% of budgeted operating expenses for the first full year of operations (including hard debt service). No annual deposits are required unless the balance in the Operating Reserve Account drops below 25% of the prior year's operating expenses (including hard debt service), in which case the Borrower must, if practicable, deposit into the account an amount equal to the greater of (a) 25% of budgeted operating expenses for the next full year of operations (including hard debt service) or (b) the Operating Reserve Account deposit required at Closing.	6.5.1
	<b>Replacement Reserves</b>	Projects must reserve in a Replacement Reserve Account an amount equal to the greater of (a) of \$2,000 per unit or (b) the amount necessary to pay all replacement costs for the 10 years following Closing, as specified in an approved physical needs assessment ("PNA") (taking into account the scope of work planned in connection with Closing). MOHCD also requires annual deposits into the Replacement Reserve Account equal to the greater of (a) the amount needed according to an approved 20-year PNA or (b) the following per-unit amounts: <10 units = \$400, 11-25 units = \$375, >25 units = \$350.	6.5.2
	<b>Vacancy Reserves and Allowance</b>	Projects must reserve in a Vacancy Reserve Account an amount equal to the monthly rent for commercial and residential units that are vacant at acquisition multiplied by the number of months such units will remain vacant during predevelopment, rehabilitation, and marketing/lease-up. Subject to certain exceptions, budgets assume annual economic vacancy equal to 5% of residential rental income and 20% of commercial rental income.	6.5.3; 6.6.1
	<b>Construction Contingency</b>	Budgets must assume a contingency set-aside for construction costs equal to at least 15% of a Project's total construction budget.	6.6.2
	<b>Income/Expense Growth</b>	Budgets must assume no more than 2.5% annual growth in operating income and no less than 3.5% annual growth in operating expenses.	6.6.3
Loan Approval Process	<b>Application</b>	To initiate the underwriting process, prospective Borrowers must submit an Application to MOHCD, the typical elements of which include: (a) an Application for Program Financing Form; (b) a MOHCD Pro Forma workbook; (c) a Deposit and Indemnification Agreement; (d) an organizational chart for the Project; (e) a narrative description of experience with similar projects (for the Sponsor as well as its partners); (f) a draft distribution list; and (g) a check for the Underwriting Deposit.	7.1
	<b>Preliminary Approval/Denial</b>	Following Application submission, MOHCD staff will review the Application for consistency with the Regulations and MOHCD's policy priorities, resolve any follow-up inquiries with the Borrower, and present the Application to the Director for evaluation. The Director will either approve or deny the Application (respectively, "Preliminary Approval" or "Preliminary Denial"). Any Preliminary Denials will be in writing and will state the basis for denial. Borrowers may appeal Preliminary Denials to the Director within 10 days of being notified of such denials; any Preliminary Denial not appealed within this 10-day timeframe shall be considered final. Any appeals of Preliminary Denials must be submitted in writing; the Director's subsequent denial of any such appeal shall be considered final.	7.2
	<b>Final Approval/Denial</b>	Following Preliminary Approval, Applications will generally be submitted to the Citywide Affordable Housing Loan Committee (the "Loan Committee") for evaluation and final approval or denial. However, with respect to Loans for Projects that have already received a funding commitment from MOHCD's Small Sites Program ("SSP"), final approval or denial may be issued pursuant to the SSP Program Guidelines.	7.3

## EXHIBIT B

### CITY AND COUNTY OF SAN FRANCISCO MANDATORY CONTRACTING PROVISIONS

The following provisions shall apply to this Regulatory Agreement as if set forth in the body thereof. Capitalized terms used but not defined in this Exhibit shall have the meanings given in this Regulatory Agreement.

1. **Conflict of Interest.** Through its execution of this Agreement, Owner acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Agreement.
2. **Proprietary or Confidential Information of City.** Owner understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, Owner may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. Owner agrees that all information disclosed by City to Owner shall be held in confidence and used only in performance of the Agreement. Owner shall exercise the same standard of care to protect such information as a reasonably prudent Owner would use to protect its own proprietary data.
3. **Local Business Enterprise Utilization; Liquidated Damages.**
  - a. **The LBE Ordinance.** Owner shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the "LBE Ordinance"), provided such amendments do not materially increase Owner's obligations or liabilities, or materially diminish Owner's rights, under this Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Agreement as though fully set forth in this section. Owner's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of Owner's obligations under this Agreement and shall entitle City, subject to any applicable notice and cure provisions set forth in this Agreement, to exercise any of the remedies provided for under this Agreement, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Agreement expressly provides that any remedy is exclusive. In addition, Owner shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.
  - b. **Enforcement.** If Owner willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Agreement pertaining to LBE participation, Owner shall be liable for liquidated damages in an amount equal to Owner's net profit on this Agreement, or 10% of the total amount of this Agreement, or \$1,000, whichever is greatest. The Director of the City's Contracts Monitoring Division or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "Director of CMD") may also impose other sanctions against Owner authorized in the LBE Ordinance, including declaring the Owner to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Owner's LBE certification. The Director of CMD will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code §14B.17. By entering into this Agreement, Owner acknowledges and agrees that any liquidated damages assessed by the Director of the CMD shall be payable to City upon demand. Owner further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to Owner on any contract with City. Owner agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three

years following termination or expiration of this Agreement, and shall make such records available for audit and inspection by the Director of CMD or the Controller upon request.

4. Nondiscrimination; Penalties.

a. Owner Shall Not Discriminate. In the performance of this Agreement, Owner agrees not to discriminate against any employee, City and County employee working with such Owner or Subcontractor, applicant for employment with such Owner or Subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

b. Subcontracts. Owner shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) and shall require all Subcontractors to comply with such provisions. Owner's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

c. Nondiscrimination in Benefits. Owner does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

d. Condition to Contract. As a condition to this Agreement, Owner shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contracts Monitoring Division (formerly 'Human Rights Commission').

e. Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Owner shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Owner understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Owner and/or deducted from any payments due Owner.

5. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City and County of San Francisco urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Owner acknowledges and agrees that he or she has read and understood this section.

6. Tropical Hardwood and Virgin Redwood Ban. Pursuant to §804(b) of the San Francisco Environment Code, the City and County of San Francisco urges Owners not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

7. Drug-Free Workplace Policy. Owner acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a



controlled substance is prohibited on City premises. Owner agrees that any violation of this prohibition by Owner, its employees, agents or assigns will be deemed a material breach of this Agreement.

8. Resource Conservation. Chapter 5 of the San Francisco Environment Code ("Resource Conservation") is incorporated herein by reference. Failure by Owner to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

9. Compliance with Americans with Disabilities Act. Owner acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through an Owner, must be accessible to the disabled public. Owner shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Owner agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Owner, its employees, agents or assigns will constitute a material breach of this Agreement.

10. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, Owners' bids, responses to solicitations and all other records of communications between City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

11. Limitations on Contributions. Through execution of this Agreement, Owner acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Owner acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Owner further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Owner's board of directors; Owner's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Owner; any Subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Owner. Additionally, Owner acknowledges that Owner must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Owner further agrees to provide to City the names of each person, entity or committee described above.

12. Requiring Minimum Compensation for Covered Employees.

a. Owner agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at [www.sfgov.org/olse/mco](http://www.sfgov.org/olse/mco). A partial listing of some of Owner's obligations under the MCO is set forth in this Section. Owner is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

b. The MCO requires Owner to pay Owner's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may

change from year to year and Owner is obligated to keep informed of the then-current requirements. Any subcontract entered into by Owner shall require the Subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is Owner's obligation to ensure that any Subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any Subcontractor under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Owner.

c. Owner shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

d. Owner shall maintain employee and payroll records as required by the MCO. If Owner fails to do so, it shall be presumed that the Owner paid no more than the minimum wage required under State law.

e. The City is authorized to inspect Owner's job sites and conduct interviews with employees and conduct audits of Owner.

f. Owner's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Owner fails to comply with these requirements. Owner agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for Owner's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

g. Owner understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, Owner fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Owner fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

h. Owner represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

i. If Owner is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but Owner later enters into an agreement or agreements that cause Owner to exceed that amount in a fiscal year, Owner shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Owner and this department to exceed \$25,000 in the fiscal year.

### 13. Requiring Health Benefits for Covered Employees.

Owner agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the HCAO is available on the web at [www.sfgov.org/olse](http://www.sfgov.org/olse). Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

a. For each Covered Employee, Owner shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Owner chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

b. Notwithstanding the above, if the Owner is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

c. Owner's failure to comply with the HCAO shall constitute a material breach of this agreement. City shall notify Owner if such a breach has occurred. If, within 30 days after receiving City's written

notice of a breach of this Agreement for violating the HCAO, Owner fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Owner fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

d. Any Subcontract entered into by Owner shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Owner shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Owner shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Owner based on the Subcontractor's failure to comply, provided that City has first provided Owner with notice and an opportunity to obtain a cure of the violation.

e. Owner shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Owner's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

f. Owner represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

g. Owner shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

h. Owner shall keep itself informed of the current requirements of the HCAO.

i. Owner shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

j. Owner shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

k. Owner shall allow City to inspect Owner's job sites and have access to Owner's employees in order to monitor and determine compliance with HCAO.

l. City may conduct random audits of Owner to ascertain its compliance with HCAO. Owner agrees to cooperate with City when it conducts such audits.

m. If Owner is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but Owner later enters into an agreement or agreements that cause Owner's aggregate amount of all agreements with City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Owner and the City to be equal to or greater than \$75,000 in the fiscal year.

14. **Prohibition on Political Activity with City Funds.** In accordance with San Francisco Administrative Code Chapter 12.G, Owner may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Agreement. Owner agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event Owner violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit Owner from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider Owner's use of profit as a violation of this section.

15. **Preservative-treated Wood Containing Arsenic.** Owner may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the

Environment under Section 1304 of the Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Owner may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude Owner from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

16. Compliance with Laws. Owner shall keep itself fully informed of the City's Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Agreement, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

17. Protection of Private Information. Owner has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Owner agrees that any failure of Owner to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Owner pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Owner.

18. Food Service Waste Reduction Requirements. Owner agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Agreement as though fully set forth. This provision is a material term of this Agreement. By entering into this Agreement, Owner agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Owner agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Owner's failure to comply with this provision.

19. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any Owner, Subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. A Owner, Subcontractor or consultant will be deemed to have submitted a false claim to the City if the Owner, Subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

20. Sugar-Sweetened Beverage Prohibition. The Owner agrees that it will not sell, provide, or otherwise distribute Sugar-Sweetened Beverages, as defined by San Francisco Administrative Code Chapter 101, as part of its performance of this Agreement.

21. Prevailing Wages. Owner understands and agrees that all provisions of section 1770, et seq., of the California Labor Code are required to be incorporated into every contract for any public work or improvement and are hereby incorporated into this contract. Owner also understands and agrees that all provisions of sections 6.22E and 6.22F of the San Francisco Administrative Code are hereby incorporated into this contract. Owner also understands and agrees that all applicable provisions of the Davis-Bacon Act (40 U.S.C. §§3141 et seq.) are hereby incorporated into this contract.

The Owner shall maintain weekly certified payroll records for submission to the awarding department as required. The Owner shall be responsible for the submission of payroll records of its subcontractors. All certified payroll records shall be accompanied by a statement of compliance signed by the Owner indicating that the payroll records are correct and complete, that the wage rates contained therein are not less than those determined by the Board of Supervisors and that the classifications set forth for each employee conform with the work performed.

All such records as described in this section shall at all times be open to inspection and examination of the duly authorized officers and agents of the City, including representatives of the Office of Labor Standards Enforcement.

## EXHIBIT C

### INSURANCE REQUIREMENTS

Subject to approval by the City's Risk Manager of the insurers and policy forms, Borrower must obtain and maintain, or caused to be maintained, the insurance and bonds as set forth below from the date of this Agreement throughout the Compliance Term at no expense to the City:

1. Borrower, Contractors.

(a) to the extent Borrower or its contractors and subcontractors have "employees" as defined in the California Labor Code, workers' compensation insurance with employer's liability limits not less than One Million Dollars (\$1,000,000) each accident, injury or illness;

(b) commercial general liability insurance, with limits no less than One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) annual aggregate limit for bodily injury and property damage, including coverage for contractual liability; personal injury; fire damage legal liability; advertisers' liability; owners' and contractors' protective liability; products and completed operations; broad form property damage; and explosion, collapse and underground (XCU) coverage during any period in which Borrower is conducting any activity on, alteration or improvement to the Site with risk of explosions, collapse, or underground hazards;

(c) business automobile liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including owned, hired and non-owned auto coverage, as applicable;

(d) professional liability insurance of no less than One Million Dollars (\$1,000,000) per claim and Two Million Dollars (\$2,000,000) annual aggregate limit covering all negligent acts, errors and omissions of Borrower's architects, engineers and surveyors. If the professional liability insurance provided by the architects, engineers, or surveyors is "Claims made" coverage, Borrower shall assure that these minimum limits are maintained for no less than three (3) years beyond completion of the constructions or remodeling. Any deductible over Fifty Thousand Dollars (\$50,000) each claim must be reviewed by Risk Management; and

(e) a crime policy or fidelity bond covering Borrower's officers and employees against dishonesty with respect to the Funds of no less than Seventy Five Thousand Dollars (\$75,000) each loss, with any deductible not to exceed Five Thousand Dollars (\$5,000) each loss, including the City as additional obligee or loss payee;

(f) pollution liability and/or asbestos pollution liability applicable to the work being performed with a limit no less than One Million Dollars (\$1,000,000) per claim or occurrence and Two Million Dollars (\$2,000,000) annual aggregate per policy. This coverage shall be endorsed to include Non-Owned Disposal Site coverage. This policy may be provided by the Borrower's contractor, provided that the policy must be "claims made" coverage and Borrower must require Borrower's contractor to maintain these minimum limits for no less than three (3) years beyond completion of the construction or remodeling.

2. Property Insurance.

Borrower must maintain, or cause its contractors and property managers, as appropriate for each, to maintain, insurance and bonds as follows:

(a) Prior to construction:

(i) Property insurance, excluding earthquake and flood, in the amount no less than One Hundred Percent (100%) of the replacement value of all improvements prior to commencement of construction and City property in the care, custody and control of the Borrower or its contractor,

including coverage in transit and storage off-site; the cost of debris removal and demolition as may be made reasonably necessary by such perils, resulting damage and any applicable law, ordinance or regulation; start up, testing and machinery breakdown including electrical arcing; and with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss, including the City and all subcontractors as loss payees.

(b) During the course of construction:

(i) Builder's risk insurance, special form coverage, excluding earthquake and flood, for one hundred percent (100%) of the replacement value of all completed improvements and City property in the care, custody and control of the Borrower or its contractor, including coverage in transit and storage off-site; the cost of debris removal and demolition as may be made reasonably necessary by such covered perils, resulting damage and any applicable law, ordinance or regulation; start up, testing and machinery breakdown including electrical arcing, copy of the applicable endorsement to the Builder's Risk policy, if the Builder's Risk policy is issued on a declared-project basis; and with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss, including the City and all subcontractors as loss payees.

(ii) Performance and payment bonds of contractors, each in the amount of One Hundred Percent (100%) of contract amounts, naming the City and Borrower as dual obligees or other completion security approved by the City in its sole discretion.

(c) Upon completion of construction:

(i) Property insurance, excluding earthquake and flood, in the amount no less than One Hundred Percent (100%) of the replacement value of all completed improvements and City property in the care, custody and control of the Borrower or its contractor. For rehabilitation/construction projects that are unoccupied by residential or commercial tenants, Tenant must obtain Property Insurance by the date that the project receives a Certificate of Substantial Completion.

(ii) Boiler and machinery insurance, comprehensive form, covering damage to, loss or destruction of machinery and equipment located on the Site that is used by Borrower for heating, ventilating, air-conditioning, power generation and similar purposes, in an amount not less than one hundred percent (100%) of the actual replacement value of such machinery and equipment with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss, including the City as loss payee.

The following notice is provided in accordance with the provisions of California Civil Code Section 2955.5: Under California law, no lender shall require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.

3. Commercial Space.

Borrower must require that all nonresidential tenants' liability insurance policies include Borrower and the City as additional insureds, as their respective interests may appear. Throughout the term of any lease of Commercial Space in the Project, Borrower must require commercial tenants to maintain insurance as follows:

(a) to the extent the tenant has "employees" as defined in the California Labor Code, workers' compensation insurance with employer's liability limits not less than One Million Dollars (\$1,000,000) each accident;

(b) commercial general liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including coverage for contractual liability; personal injury; advertisers' liability; including coverage for loss of income due to an

insured peril for twelve (12) months; owners' and contractors' protective; broadform property damage; explosion, collapse and underground (XCU); products and completed operations coverage;

(c) business automobile liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including owned, hired and non-owned auto coverage, as applicable;

(d) with respect to any tenant who has (or is required by Law to have) a liquor license and who is selling or distributing alcoholic beverages and/or food products on the leased premises, to maintain liquor and/or food products liability coverage with limits not less than One Million Dollars (\$1,000,000), as appropriate;

(e) special form coverage insurance, including vandalism and malicious mischief, in the amount of 100% of the full replacement cost thereof, covering all furnishings, fixtures, equipment, leasehold improvements, alterations and property of every kind of the tenant and of persons claiming through the tenant; and

(f) full coverage plate glass insurance covering any plate glass on the commercial space.

#### 4. General Requirements.

(a) General and automobile liability policies of Borrower, contractors, commercial tenants and property managers must include the City, including its Boards, commissions, officers, agents and employees, as an additional insured by endorsement acceptable to the City.

(b) All policies required by this Agreement must be endorsed to provide no less than thirty (30) days' written notice to the City before cancellation or intended non-renewal is effective.

(c) With respect to any property insurance, Borrower hereby waives all rights of subrogation against the City to the extent of any loss covered by Borrower's insurance, except to the extent subrogation would affect the scope or validity of insurance.

(d) Approval of Borrower's insurance by the City will not relieve or decrease the liability of Borrower under this Agreement.

(e) Any and all insurance policies called for herein must contain a clause providing that the City and its officers, agents and employees will not be liable for any required premium.

(f) The City reserves the right to require an increase in insurance coverage in the event the City determines that conditions show cause for an increase, unless Borrower demonstrates to the City's satisfaction that the increased coverage is commercially unreasonable and unavailable to Borrower.

(g) All liability policies must provide that the insurance is primary to any other insurance available to the additional insureds with respect to claims arising out of this Agreement, and that insurance applies separately to each insured against whom claim is made or suit is brought and that an act of omission of one of the named insureds that would void or otherwise reduce coverage will not void or reduce coverage as to any other insured, but the inclusion of more than one insured will not operate to increase the insurer's limit of liability.

(h) Any policy in a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs are included in the general annual aggregate limit must be in amounts that are double the occurrence or claims limits specified above.

(i) All claims based on acts, omissions, injury or damage occurring or arising in whole or in part during the policy period must be covered. If any required insurance is provided under a claims-made policy, coverage must be maintained continuously for a period ending no less than three (3) years after recordation of a notice of completion for builder's risk or the Compliance Term for general liability and property insurance.



(j) Borrower must provide the City with copies of endorsements for each required insurance policy and make each policy available for inspection and copying promptly upon request.


BOARD of SUPERVISORS



City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

## MEMORANDUM

TO: Kate Hartley, Director, Mayor's Office of Housing and Community Development  
Tom Hui, Director, Department of Building Inspection  
John Rahaim, Director, Planning Department

FROM:  Alisa Somera, Legislative Deputy Director  
Rules Committee

DATE: September 18, 2018

SUBJECT: LEGISLATION INTRODUCED

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The Board of Supervisors' Rules Committee has received the following proposed legislation, introduced by Mayor Breed on September 11, 2018:

**File No. 180890**

**Ordinance amending Chapter 66 and deleting Chapter 66A of the Administrative Code to conform to the recent passage by the voters on November 8, 2016, of Proposition C, a measure entitled "Loans to Finance Acquisition and Rehabilitation of Affordable Housing," and to otherwise conform such sections to current practices and make technical corrections.**

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: [alisa.somera@sfgov.org](mailto:alisa.somera@sfgov.org).

c: Eugene Flannery, Mayor's Office of Housing and Community Development  
Amy Chan, Mayor's Office of Housing and Community Development  
William Strawn, Department of Building Inspection  
Carolyn Jayin, Department of Building Inspection  
Scott Sanchez, Planning Department  
Lisa Gibson, Planning Department  
Devyani Jain, Planning Department  
AnMarie Rodgers, Planning Department  
Dan Sider, Planning Department  
Aaron Starr, Planning Department  
Joy Navarrete, Planning Department  
Laura Lynch, Planning Department

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OFFICE OF THE MAYOR  
SAN FRANCISCO



LONDON N. BREED  
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: Mayor London Breed *lcb*  
RE: Administrative Code – Seismic Safety Retrofit and Affordable Housing  
Loan Program  
DATE: September 11, 2018

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**Ordinance amending Chapter 66 and deleting Chapter 66A of the Administrative Code to conform to the recent passage by the voters on November 8, 2016 of Proposition C a measure entitled “Loans to Finance Acquisition and rehabilitation of Affordable Housing”, and to otherwise conform such sections to current practices and make technical corrections.**

Should you have any questions, please contact Kanishka Karunaratne Cheng at 415-269-1819.

RECEIVED  
BOARD OF SUPERVISORS  
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