

1 [Administrative Code - Exceptions to Seismic Safety Loan Program Requirements for a
2 \$2,379,464 Loan to Hotel Isabel, 1091 Mission Street]

3 **Ordinance approving exceptions to requirements of the Seismic Safety Loan Program**
4 **(SSLP) under the Administrative Code and the SSLP Program Regulations, regarding a**
5 **\$2,379,464 loan for an existing affordable housing project at the Hotel Isabel located at**
6 **1091 Mission Street.**

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8 NOTE: Additions are *single-underline italics Times New Roman*;
9 deletions are *strike-through italics Times New Roman*.
10 Board amendment additions are double-underlined;
11 Board amendment deletions are ~~strikethrough normal~~.

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

13 Section 1. Findings. The Board of Supervisors hereby finds and determines as follows:

14 (a) Hotel Grand Southern, a California limited partnership ("Borrower"), owns
15 an existing 72-unit affordable housing project located at 1091 Mission Street, San Francisco,
16 California and commonly known as the Hotel Isabel (the "Property"). Borrower is currently
17 undertaking a seismic retrofit and substantial rehabilitation of the Property to significantly
18 extend the useful life of the Property (the "Project").

19 (b) In 2008, the City and County of San Francisco (the "City") Mayor's
20 Office of Housing ("MOH") recommended providing a \$1,679,464 Deferred Extended Loan
21 (the "Loan") from the City, acting by and through MOH, to the Borrower pursuant to
22 Administrative Code Sections 66 and 66A, the Seismic Safety Loan Program ("SSLP
23 Program") and the Seismic Safety Loan Program Regulations dated May 2006, adopted
24 through Ordinance No. 122-06 ("Regulations"), for the purpose of seismically retrofitting the
25 Project. The Loan did not satisfy the SSLP Program loan-to-value ratio requirement as
required by Administrative Code Section 66A.4(1)(b); however, Borrower provided a Loan

1 guaranty (the "Guaranty") secured by the Property, which MOH determined to be sufficient
2 additional security as permitted under the alternative lending criteria set forth in Administrative
3 Code Section 66A.4(2)(e)(i) and the Regulations.

4 (c) In 2011, MOH recommended providing an additional \$700,000 in loan
5 funds for the Project, such that the total Loan amount was now \$2,379,464 (the "Amended
6 Loan"). Because the Guaranty was determined by MOH to be insufficient security for the
7 Amended Loan amount, MOH terminated the Guaranty, and the Borrower secured the
8 Amended Loan with a Deed of Trust (the "Security Deed of Trust") on another property owned
9 by a Borrower affiliate located at 737 Folsom Street, San Francisco, and commonly known as
10 Mendelsohn House (the "Secured Property").

11 (d) The owner of the Secured Property now desires to refinance that
12 property, and in order to do so, has to remove the Security Deed of Trust from the title. As a
13 result, the Amended Loan will be out of compliance with the loan-to-value ratio requirement as
14 required by Administrative Code Section 66A.4(1)(b).

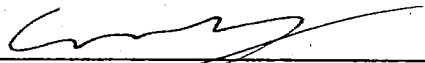
15 (e) MOH has determined that: (i) the Amended Loan is necessary to the
16 feasibility of the Project, (ii) Borrower is unable to provide additional collateral under
17 Administrative Code Section 66A.4(2)(e)(i) sufficient to secure the Amended Loan; and (iii)
18 preserving and extending the useful life of a significant existing affordable housing resource is
19 of overriding importance to the lending criteria outlined in Administrative Code Section 66A.4
20 and the Regulations.

21 Section 2. In accordance with the recommendations of MOH, the Board of Supervisors
22 hereby exempts the Amended Loan and the Project from the loan-to-value ratio requirement
23 and the alternative lending criteria set forth in Administrative Code Section 66A.4 and the
24 Regulations, subject to all other requirements set forth in Administrative Code Sections 66
25 and 66A and the Regulations.

1 Section 3. Effective Date. This ordinance shall become effective 30 days from the
2 date of passage.

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4 APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

5
6 By:


Evan A. Gross
Deputy City Attorney

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8 n:\finan\as2013\9700279\00823742.doc

LEGISLATIVE DIGEST

[Administrative Code - Exceptions to Seismic Safety Loan Program Requirements for a \$2,379,464 Loan to Hotel Isabel, 1091 Mission Street]

Ordinance approving exceptions to requirements of the Seismic Safety Loan Program (SSLP) under the Administrative Code and the SSLP Program Regulations, regarding a \$2,379,464 loan for an existing affordable housing project at the Hotel Isabel located at 1091 Mission Street.

Existing Law

If a residential building with units leased to low income households is seismically strengthened with Seismic Safety Loan Program ("SSLP") Deferred Extended Loans, it must meet certain underwriting criteria as set forth in San Francisco Administrative Code Section 66A.4 and the Seismic Safety Loan Program Regulations, dated May 2006, adopted by the Board of Supervisors through Ordinance No. 122-06, including but not limited to the requirement that the property to be rehabilitated by a SSLP Deferred Extended Loan have a loan-to-value ratio that does not exceed 95 percent.

Amendments to Current Law

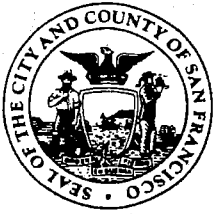
This ordinance would exempt an existing affordable housing project known as Hotel Isabel (the "Property") from the loan-to-value ratio requirement and the other underwriting criteria set forth in San Francisco Administrative Code Section 66A.4 and the Seismic Safety Loan Program Regulations.

Background Information

The existing building located at 1091 Mission Street and commonly known as Hotel Isabel is an existing 72-unit affordable housing project. Because the existing building was noncompliant with seismic building code requirements, the project sponsor obtained from the Mayor's Office of Housing ("MOH") a SSLP Deferred Extended Loan in November 2011 (the "Loan") to finance seismic retrofit work on the Property. At that time, the Property was, and will be, subject to numerous long-term affordability restrictions, thus suppressing the value of the property and resulting in a higher loan-to-value ratio than is permitted under Administrative Code Section 66A.4 and the SSLP Regulations. Under Administrative Code Section 66A.4(2)(e)(i), a borrower can offer alternative collateral as security for a SSLP loan when the proposed SSLP loan does not satisfy the loan-to-value ratio requirements under Administrative Code Section 66A.4. Borrower therefore provided a Deed of Trust (the "Security Deed of Trust") on another property owned by its affiliate (the "Secure Property") in order to obtain the Loan. The owner of the Secured Property now desires to refinance that

property, and in order to do so, has to remove the Security Deed of Trust. As a result, the Loan will be out of compliance with the loan-to-value ratio requirement as required by Administrative Code Section 66A.4. Because MOH and the Borrower have been unable to identify other alternative collateral that could satisfy the underwriting criteria as allowed under Administrative Code Section 66A.4(2)(e)(i), Borrower and MOH now seek an exemption from the loan-to-value ratio requirements under Administrative Code Section 66A.4.

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



**EDWIN M. LEE
MAYOR**

**OLSON LEE
DIRECTOR**

February 8, 2013

Board of Supervisors
City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

RE: Ordinance exempting an existing affordable housing project known as Hotel Isabel (the "Property") from the loan to value ratio requirement and the other underwriting criteria set forth in San Francisco Administrative Code Section 66A.4 and the Seismic Safety Loan Program Regulations.

Attached please find an original and four copies of a proposed ordinance for Board of Supervisors approval, which would provide exceptions to Administrative Code Section 66A.4 for the Hotel Isabel, a 72-unit affordable housing development (the "Property") owned by Hotel Grand Southern LP, a limited partnership for which the general partner is Tenants and Owners Development Corporation ("TODCO," or "Borrower").

The Hotel Isabel is a recipient of a \$2,379,464 Seismic Safety Loan Program ("SSLP") loan (the "Loan") from the Mayor's Office of Housing ("MOH") but can no longer comply with Administrative Code Section 66A.4 which requires that the total of all loans on the building (including the SSLP loan) be no more than 95% of the appraised value of the building. Once State Multifamily Housing Program funds are loaned to the Hotel Isabel project, later in 2013, the total of all loans on the project will be 258% of the appraised value.

The rationale for making an exception to the Loan to Value ("LTV") requirement is essentially that the LTV standard is not really applicable to this kind of project or financing. In general a LTV standard is intended to limit a lender's risk in the event of default -- the idea being that the loan could be paid off by selling the property if necessary. But with most deeply affordable housing there are two major factors that interfere: 1) the appraised value is significantly diminished because the loans from public lenders come with deed restrictions that inherently limit the value of the property by restricting the rents to extremely low levels; and 2) the real value (to the public lenders such as the State Housing and Community Development and the MOH) is the public benefit provided in the form of deeply affordable housing.

Under Administrative Code Section 66A.4(2)(e)(i), a borrower whose project does not meet the LTV requirements can offer alternative collateral as security for an SSLP loan. In the case of the Hotel

Isabel, the Borrower provided a Deed of Trust on 737 Folsom, another property owned by an affiliate (the "Secured Property") in order to obtain the Loan. The owner of the Secured Property now desires to refinance that property, and in order to do so, has to remove the Deed of Trust. As a result, the Loan will be out of compliance with the loan-to-value ratio requirement as required by Administrative Code Section 66A.4. Because MOH and the Borrower have been unable to identify other alternative collateral that could satisfy the underwriting criteria as allowed under Administrative Code Section 66A.4(2)(e)(i), Borrower and MOH now seek an exemption from the loan to value ratio requirements under Administrative Code Section 66A.4.

There is no real financial risk to the City and County of San Francisco in the sense that this loan might not be repaid because affordable housing projects like the Hotel Isabel are expected to refinance the loan at the end of the term in exchange for extending the affordability restrictions.

The following is a list of accompany documents (five sets):

- Transmittal memo from Deputy City Attorney Evan Gross
- Legislative Digest prepared by the City Attorney's Office
- Original ordinance approved as to form by Deputy City Attorney Evan Gross

If you have questions regarding this matter, please contact Lydia Ely, MOH Project Manager, at (415) 701-5519.

Sincerely,

A handwritten signature in cursive script, appearing to read "Olson Lee".

Olson Lee
Director

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

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Hotel Grand Southern	
<p><i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i></p> <p>The borrower is Hotel Grand Southern, a California limited partnership. Hotel Grand Southern has no employees and decisions are made by its managing general partner, GP/TODCO-A, Inc., which is an affiliate of Tenants and Owners Development Corporation (TODCO) and has the same Board of Directors as TODCO.</p> <p>(1) Board List Ligaya Avenida Luis Calderon John Elberling Abram Gelman Al Gilbert Paul Laus Gina Marillo Henry Perez Bernadette Sy Charles Turner, Jr. Isabel Ugat Dick Wilson</p> <p>(2) Key Staff Chief Executive Officer: John Elberling Chief Financial Officer: Al Gilbert Chief Operations Officer: n/a</p> <p>(3) Not Applicable – 501 c 3 nonprofit organization (4) No subcontractors listed in bid or contract (5) Not Applicable – no political committee is sponsored or controlled by the contractor</p>	
Contractor address: 230 Fourth Street, San Francisco, CA 94103	
Date that contract was approved: N/A = see comments	Amount of contract: N/A = see comments
Describe the nature of the contract that was approved: Requesting approval of an ordinance exempting Hotel Isabel, a 72-unit existing affordable housing project, from Loan-to-Value ratio requirement and the other underwriting criteria set forth in San Francisco Administrative Code Section 66A.4 and the Seismic Safety Loan Program regulations.	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors

Print Name of Board

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

Print Name of Board

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

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee.
An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative

Sponsor(s):

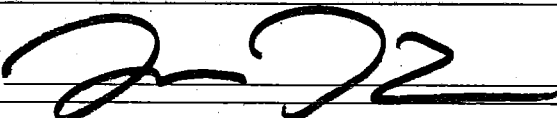
Supervisor Kim

Subject:

Administrative Code - Exceptions to Seismic Safety Loan Program requirements for a \$2,379,464 loan to Hotel Isabel, 1091 Mission Street

The text is listed below or attached:

SEE ATTACHED

Signature of Sponsoring Supervisor: 

For Clerk's Use Only:

