

Delegated Authority for Ground Lease Amendments

LAND USE AND
TRANSPORTATION
COMMITTEE

October 2, 2023

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MAYOR'S OFFICE OF HOUSING AND
COMMUNITY DEVELOPMENT

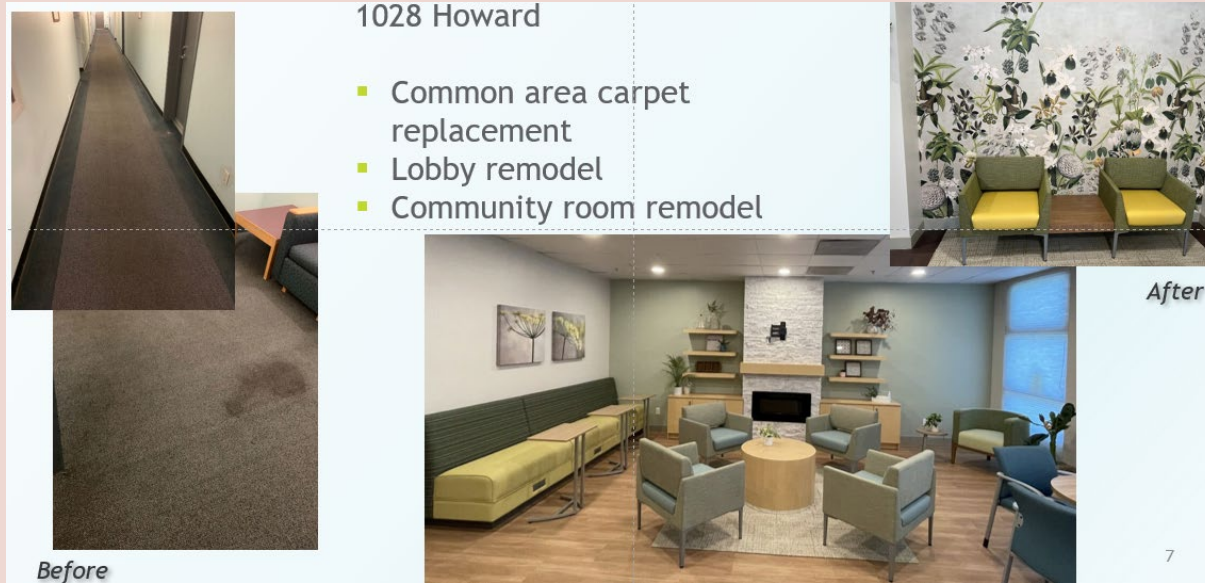
- MOHCD manages ground leases for affordable housing on City-owned sites
- Lease terms require long-term affordability and other restrictions that advance the City's affordable housing policy goals and objectives.
- The term of a ground lease is usually 75 years with a 24-year option to extend (99 years total)
- Historically, MOHCD ground leases include provisions for capped residual receipts
 - Limits the share of project cashflow an owner may retain
- Charter Section 9.118 and Admin Code Section 23.30 require that some ground lease amendments must be approved by BOS

MOHCD Leases with Affordable Housing Providers

- Older ground leases include restrictions on residual receipts to affordable housing providers that are less favorable than current MOHCD policy
- **Affordable housing providers use residual receipts from cash-rich projects to support the capital repair needs and operational deficits of other affordable housing sites in San Francisco**
- Affordable properties have applied for ground lease amendments to align residual receipts allowances to MOHCD's current policy
- Streamlines administrative processes, saving affordable housing providers and City staff time. (Housing Element mandate to reduce process)

The Need for Delegated Authority

- Replenished replacement reserves at properties that have capital repair needs
- Made improvements to properties



How have Affordable Housing Providers Used Residual Receipts?

Delegate authority to MOHCD to amend ground leases for 100% affordable buildings or permanent supportive housing that meet the following criteria:

- Lease already approved by the Board or assigned to the City following Redevelopment dissolution
- Lessee is suffering financial shortfalls and/or needs to refinance to maintain the affordable housing
- MOHCD Director, in consultation with the City Attorney's Office, determines that an amendment is necessary to mitigate financial shortfalls and update the leases to reflect current MOHCD Residual Receipts Policy
- The amendment will only add, change, or remove terms related to
 - (1) residual rent or distributions of Residual Receipts to allow the affordable housing provider to retain a greater portion of Residual Receipts; and/or provide reasonable protections to a lender
 - (2) require that any greater portion of Residual Receipts retained by an affordable housing provider as a result of the amendment shall be used solely for affordable housing purposes within the City; and
 - (3) add, change, or remove any other terms that are relevant to MOHCD's policies on Residual Receipts
- Amendment does not increase the liability of the City under the lease, change the duration of the lease, or impose any other new obligations on the City
- Amendment aligns with current MOHCD Residual Receipts policy or lender protections to Director of Property, with recommendation from MOHCD, as approved by the Citywide Affordable Housing Loan Committee

- Only the 12 affordable housing sites with ground leases that had applied for ground lease amendments in 2020/2021 included in the proposed legislation

	District	Neighborhood	Sponsor
Golden Gate Apartments	5	Japantown	CCDC
Antonia Manor	5	Tenderloin	TNDC
Maria Manor	5	Tenderloin	TNDC
Rich Sorro Commons	6	Mission Bay	MHDC
The Dudley	6	SOMA	Mercy
Mission Creek Senior Community	6	Mission Bay	Mercy
Plaza Apartments	6	SOMA	TNDC
Richardson Apartments (Parcel G)	5	Hayes Valley	HomeRise
Rene Cazenave Apts (Transbay Block 11A)	6	Financial District/South Beach	HomeRise
Dr. George W Davis Senior Housing	10	Bayview	McCormack Baron Salazar/BHP Multi Senior Svcs
Franciscan Towers	5	Tenderloin	TNDC
588 MBN (Mission Bay South Block 7 West)	9	Mission Bay	Related/CCDC
Sierra Madre	5	Tenderloin	TNDC
Turk & Eddy Apartments	5	Tenderloin	TNDC

Changes to the Proposed Legislation

- Technical amendment that would apply to small subset of ground lease amendments
- Amendments related to changes to annual rent, terms, etc. for the identified 12 ground leases would continue to come back to Board of Supervisors for approval
- No change to approvals of new ground leases

Board of Supervisors will Continue to Approve all other Ground Leases

Thank you



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