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.