

1 [Loan Documents - 937 Clay Street, 305 San Carlos Street, 3198-24th Street, 654 Capp
2 Street - Small Sites Program, Preservation and Seismic Safety Program, and Downtown
3 Neighborhoods Preservation Fund, and Loans for Affordable Housing - Up to \$37,544,000]

4 **Resolution approving and authorizing the Director of the Mayor’s Office of Housing and**
5 **Community Development to execute documents relating to loans for the acquisition,**
6 **rehabilitation, or permanent financing of four project sites pursuant to the Small Sites**
7 **Program, Preservation and Seismic Safety Program, and Downtown Neighborhoods**
8 **Preservation Fund, for a total loan amount not to exceed \$37,544,000; confirming the**
9 **Planning Department’s determination under the California Environmental Quality Act;**
10 **and finding that the project loans are consistent with the General Plan, and the eight**
11 **priority policies of Planning Code, Section 101.1.**

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13 WHEREAS, The average monthly rent for a two-bedroom apartment in San Francisco
14 jumped from \$2,611 in 2011 to \$4,550 in 2019, an increase of almost 75% in eight years,
15 according to real estate analyst Rent Jungle; and

16 WHEREAS, For a family of four with an annual income equaling San Francisco’s 2018
17 area median income (“AMI”) of \$118,400, a monthly rent payment of \$4,550 consumes 46%
18 of the family’s monthly income; and

19 WHEREAS, While low income San Francisco households earning less than 50% of
20 AMI have faced significant rent burdens for decades, the City’s high cost of housing now
21 burdens even moderate income households with an annual income of up to 200% of AMI; and

22 WHEREAS, High housing costs across the Bay Area have caused displacement, the
23 loss of cultural and ethnic diversity in some communities, transportation pressures, and
24 overall social and economic hardship; and

1 WHEREAS, The City and County of San Francisco, through the Mayor’s Office of
2 Housing and Community Development (“MOHCD”), is a leader in the creation and
3 preservation of affordable housing, offering a variety of loan and grant programs to
4 individuals, community-based organizations, and housing developers to create and maintain
5 affordable housing and provide essential community and supportive services; and

6 WHEREAS, The funding for these loans and grants comes from a variety of sources,
7 all of which are restricted to affordable housing and are subject to various housing program
8 restrictions; and

9 WHEREAS, Among its programs, MOHCD administers the Small Sites Program (or
10 “SSP”) for the purpose of preserving and stabilizing San Francisco’s existing rental housing
11 stock of buildings that are up to 25 units and occupied by low- to moderate-income tenants
12 who are vulnerable to displacement due to market-driven increases in evictions; and

13 WHEREAS, The Small Sites Program helps San Franciscans avoid displacement and
14 eviction by removing small properties from the speculative market, stabilizing housing for
15 current tenants of those properties, and converting the properties to permanently affordable
16 housing; and

17 WHEREAS, MOHCD also administers the Downtown Neighborhoods Preservation
18 Fund (“Downtown Neighborhoods Preservation Fund,” or “DNPF”) for the purpose of
19 preserving and stabilizing San Francisco’s existing rental housing exclusively for the
20 acquisition and preservation of buildings occupied by low-to-moderate income tenants located
21 within a one-mile radius of 50 First Street; the Downtown Neighborhoods Preservation Fund
22 prioritizes buildings with 26 or more residential units; and

23 WHEREAS, The Small Sites Program funds administered by MOHCD include the
24 Preservation and Seismic Safety Program (“PASS Program”), which provides low-cost and
25

1 long-term financing for the acquisition, rehabilitation, and preservation of multi-family housing
2 as well as seismic retrofits; and

3 WHEREAS, The PASS Program plays a critical role in advancing the City's anti-
4 eviction and preservation strategies like the Small Sites Program by providing access to a
5 nimble source of financing not currently available on the conventional market; and

6 WHEREAS, MOHCD has the following four SSP, PASS Program, and DNPf loan
7 transactions that it expects to close within the next one to four months: (1) 937 Clay Street,
8 a 73 unit multifamily residential property with 3 ground floor commercial tenants; (2) 305 San
9 Carlos Street, a 10 unit multifamily residential property with 2 ground floor commercial
10 tenants; (3) 3198-24th Street, an eight unit multifamily residential property with five ground
11 floor commercial tenants; and (4) 654 Capp Street, a six unit multifamily residential property
12 (each a "Project" and collectively, the "Projects"); the total amount of the Project loans will not
13 exceed \$37,544,000; and

14 WHEREAS, The form of loan documents (the "Loan Documents") evidencing and
15 securing the SSP, PASS, and DNPf Program loans for the Projects are on file with the Clerk
16 of the Board in File No. 190764, and include: a Declaration of Restrictions restricting each
17 Project to affordable housing; a Loan Agreement; four Promissory Notes; and two Deeds of
18 Trust; and

19 WHEREAS, A Declaration of Restrictions will restrict each Project as affordable
20 housing to low- and moderate-income households with annual maximum rent and income
21 established by MOHCD as long as all or any portion of the buildings remain on the property,
22 but in no event less than 75 years; and

23 WHEREAS, The Declaration of Restrictions for each Project will not be subordinated to
24 any third party financing instrument; and

1 WHEREAS, The Planning Department, by letter dated May 13, 2019 found that each of
2 the proposed Project loans is not considered a project under the California Environmental
3 Quality Act (“CEQA”, Pub. Resources Code, Section 21000 et seq.) pursuant to CEQA
4 Guidelines, Section 15060, and Chapter 31 of the City’s Administrative Code, and is
5 consistent, on balance, with the General Plan, and the eight priority policies of Planning Code,
6 Section 101.1, which letter is on file with the Clerk of the Board of Supervisors in File
7 No. 190764, and incorporated herein by this reference; now, therefore, be it

8 RESOLVED, This Board affirms the Planning Department’s determination under CEQA
9 and finds that each of the proposed Project loans is consistent, on balance, with the General
10 Plan, and the eight priority policies of Planning Code, Section 101.1, for the reasons set forth
11 in the Director of Planning’s letter; and, be it

12 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan
13 Documents, and authorizes the Director of MOHCD or the Director’s designee to negotiate
14 and enter into agreements based upon and substantially in the form of the Loan Documents
15 for each of the Projects (including, without limitation, modifications of the Loan Documents,
16 and preparation and attachment of, or changes to, any of all of the exhibits and ancillary
17 agreements) and any other documents or instruments necessary in connection therewith, that
18 the Director determines, in consultation with the City Attorney, are in the best interest of the
19 City, do not materially increase the obligations or liabilities for the City or materially diminish
20 the benefits of the City, or are necessary or advisable to effectuate the purposes and intent of
21 this Resolution and are in compliance with all applicable laws, including the City Charter; and,
22 be it

23 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
24 delegates to the Director of MOHCD and/or the Director of Property, and their designees, the
25 authority to undertake any actions necessary to protect the City’s financial security in each of

1 the Projects and enforce the affordable housing restrictions, which may include, without
2 limitation, acquisition of a Project site upon foreclosure and sale at a trustee sale, acceptance
3 of a deed in lieu of foreclosure, or curing the default under a senior loan; and, be it

4 FURTHER RESOLVED, That all actions authorized and directed by this Resolution and
5 heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors;
6 and be it

7 FURTHER RESOLVED, That within thirty (30) days of the Loan Documents being fully
8 executed by all parties, MOHCD shall provide the Loan Agreement to the Clerk of the Board
9 for inclusion into the official file.

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RECOMMENDED:

Dan Adams
Deputy Director, Mayor's Office of Housing and Community Development