

1 [100% Permanent Supportive Housing - 1633 Valencia Street - Mercy Housing California 108,
2 L.P. - Loan Not to Exceed \$41,036,048 - Grant Not to Exceed \$80,785,406]

3 **Resolution approving and authorizing the Mayor and the Director of the Mayor's Office**
4 **of Housing and Community Development ("MOHCD") to execute agreements with**
5 **Mercy Housing California 108, L.P. relating to 1) a loan in an amount not to exceed**
6 **\$41,036,048 for a minimum term of 55 years to provide permanent financing for a 146-**
7 **unit (including one manager's unit) permanent supportive housing development, plus**
8 **resident common areas and supportive services space, on real property located at**
9 **1633 Valencia Street (the "Project"), and 2) a grant in an amount not to exceed**
10 **\$80,785,406 for a 19 year term to provide Local Operating Subsidy Program funds to**
11 **subsidize operations and debt service for the Project; 3) adopting findings that the**
12 **Project and proposed transactions are consistent with the General Plan, and the eight**
13 **priority policies of Planning Code, Section 101.1; and 4) authorizing the Director of**
14 **MOHCD and/or the Director of Property, or their designees, to make certain**
15 **modifications to the loan and grant documents and take certain actions in furtherance**
16 **of this Resolution, as defined herein.**

17
18 WHEREAS, The mission of the Department of Homelessness and Supportive Housing
19 ("HSH") is to prevent homelessness when possible and to make homelessness a rare, brief,
20 and one-time experience in San Francisco through the provision of coordinated,
21 compassionate, and high-quality services; and

22 WHEREAS, Permanent supportive housing is the most effective evidence-based
23 solution to ending chronic homelessness and also prevents new incidents of homelessness
24 among highly vulnerable people with long experiences of homelessness; and

1 WHEREAS, The City and County of San Francisco, acting through the Mayor’s Office
2 of Housing and Community Development (“MOHCD”), administers a variety of housing
3 programs financing the development of new affordable housing and rehabilitation of single-
4 and multifamily housing for low- and moderate-income households and resources for
5 homeowners in San Francisco; and

6 WHEREAS, MOHCD enters into loan agreements with affordable housing developers
7 for the purpose of financing 100% affordable housing within the City and grant agreements for
8 the purpose of subsidizing affordable housing for extremely low tenants and/or formerly
9 homeless households; and

10 WHEREAS, HSH is authorized under Administrative Code, Chapter 21B to waive
11 competitive bidding requirements for “Projects Addressing Homelessness” to bring new
12 permanent supportive housing units online quickly; and

13 WHEREAS, Mercy Housing California was selected under HSH’s Chapter 21B
14 emergency procurement waiver authorization to bring new permanent supportive housing
15 units online quickly at reduced cost using philanthropic below market rate financing and
16 innovative financing and construction methods without City capital financing during the
17 predevelopment and construction phase; and

18 WHEREAS, Mercy Housing California established Mercy Housing California 108, L.P.,
19 a California limited partnership (the “Borrower”), as an affiliate to acquire and develop the real
20 property located at 1633 Valencia Street, San Francisco (the “Property”) as a 146-unit
21 (including one manager’s unit) permanent supportive housing development affordable to low-
22 income households and targeted to serve seniors age 55 and older who are homeless or at
23 imminent risk of homelessness, plus resident common areas and supportive services space
24 (the “Project”); and

1 WHEREAS, Borrower has secured an allocation of tax-exempt bonds and low-income
2 housing tax credits for construction of the Project, and a commitment of construction financing
3 that will not require City funding during the predevelopment and construction phases of the
4 Project; and

5 WHEREAS, On April 5, 2024, the Citywide Affordable Housing Loan Committee
6 recommended approval to the Mayor of 1) a loan in an amount not to exceed \$41,036,048 for
7 a minimum term of 55 years to provide permanent financing after completion of the Project
8 (the "Loan"), and 2) a grant in an amount not to exceed \$80,785,406 for a 19 year term to
9 provide Local Operating Subsidy Program funds to subsidize operations and debt service for
10 the Project (the "Grant"); and

11 WHEREAS, MOHCD desires to provide the Loan to the Borrower pursuant to a Loan
12 Agreement, Secured Promissory Note, Declaration of Restrictions and Affordable Housing
13 Covenants, Deed of Trust, Option and Right of First Refusal Agreement, and any other
14 necessary ancillary documents (collectively, the "Loan Documents"), in substantially the forms
15 on file with the Clerk of the Board in File No. 240374, and in such final forms as approved by
16 the Director of MOHCD and the City Attorney; and

17 WHEREAS, The material terms of the Loan Documents include the following: (i) a loan
18 term of 55 years from the conversion date, an interest rate of one percent (1%), and annual
19 repayment through residual receipts, if any, from the Project; (ii) the Project will be restricted
20 for life of the Project as 100% permanent supportive housing affordable to extremely low-
21 income households and targeted to serve seniors age 55 and older who are homeless or at
22 imminent risk of homelessness during the period in which the City's Local Operating Subsidy
23 program is in operation and the City provides such subsidy to the Project; (iii) the Loan will be
24 secured by a deed of trust recorded against the Property; and (iv) the City will have a
25 purchase option and right of first refusal to acquire the Project in certain circumstances; and

1 WHEREAS, MOHCD desires to provide the Grant to the Borrower for the Project
2 pursuant to a Grant Agreement and any other necessary ancillary documents (collectively, the
3 “Grant Documents”), in substantially the forms on file with the Clerk of the Board in File
4 No. 240374, and in such final forms as approved by the Director of MOHCD and the City
5 Attorney; and

6 WHEREAS, On August 9, 2023, by Notice of Final Approval of an SB 35 Project, the
7 Planning Department by case No. 2022-012441PRJ determined that the development of the
8 Project met all the standards of the Planning Code and would be eligible for ministerial
9 approval under California Government Code, Section 65913.4 (Senate Bills 35 and 765),
10 California Public Resources Code, Section 21080, and the CEQA Guidelines, Section
11 15002(i)(1), 15268 and 15369, and would therefore not be subject to the California
12 Environmental Quality Act (“CEQA”); a copy of the Planning Department’s Notice of Final
13 Approval of an SB 35 Project is on file with the Clerk of the Board of Supervisors in File
14 No. 240374, and is incorporated herein by reference; and

15 WHEREAS, The Planning Department, through the General Plan Referral letter dated
16 March 7, 2024, determined that the Project is consistent with the General Plan, and the eight
17 priority policies of Planning Code, Section 101.1; which letter is on file with the Clerk of the
18 Board of Supervisors in File No. 240374, and incorporated herein by this reference; now,
19 therefore, be it

20 RESOLVED, The Board of Supervisors hereby affirms the Planning Department’s
21 determination that the proposed Project (and associated actions necessary to effectuate the
22 Project) is consistent with the General Plan, and with the eight priority policies of Planning
23 Code, Section 101.1, for the same reasons as set forth in the General Plan Referral letter, and
24 hereby incorporates such findings by reference as though fully set forth in this Resolution;
25 and, be it

1 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan
2 Documents and the Grant Documents substantially in the forms on file, and authorizes the
3 Mayor and the Director of MOHCD or the Director's designee to execute and deliver the Loan
4 Documents, Grant Documents, and any such other documents that are necessary or
5 advisable to complete the transaction contemplated by the Loan Documents and the Grant
6 Documents and to effectuate the purpose and intent of this Resolution; and, be it

7 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
8 MOHCD, in consultation with the City Attorney, to enter into any additions, amendments, or
9 other modifications to the Loan Documents, Grant Documents, and any other documents or
10 instruments necessary in connection therewith (including, without limitation, any of all of the
11 exhibits and ancillary agreements), that the Director of MOHCD determines are in the best
12 interests of the City, do not materially decrease the benefits to the City with respect to the
13 Property, do not materially increase the obligations or liabilities of the City, and are necessary
14 or advisable to complete the transaction contemplated in the Loan Documents and Grant
15 Documents, and that effectuate the purpose and intent of this Resolution, such determination
16 to be conclusively evidenced by the execution and delivery by the Director of MOHCD of any
17 such additions, amendments, or other modifications; and, be it

18 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
19 delegates to the Director of MOHCD and/or the Director of Property, or their designees, the
20 authority to undertake any actions necessary to protect the City's financial security in the
21 Property and enforce the affordable housing restrictions, which may include, without limitation,
22 acquisition of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed
23 in lieu of foreclosure, curing the default under a senior loan, or the exercise of the City's right
24 of first refusal or purchase option and acceptance of a deed related thereto; and, be it

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

4 FURTHER RESOLVED, That within thirty (30) days of the documents being fully
5 executed by all parties, MOHCD shall provide the Loan Documents and Grant Documents to
6 the Clerk of the Board for inclusion into the official file.

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25



City and County of San Francisco
Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 240374

Date Passed: May 07, 2024

Resolution approving and authorizing the Mayor and the Director of the Mayor's Office of Housing and Community Development ("MOHCD") to execute agreements with Mercy Housing California 108, L.P. relating to 1) a loan in an amount not to exceed \$41,036,048 for a minimum term of 55 years to provide permanent financing for a 146-unit (including one manager's unit) permanent supportive housing development, plus resident common areas and supportive services space, on real property located at 1633 Valencia Street (the "Project"), and 2) a grant in an amount not to exceed \$80,785,406 for a 19-year term to provide Local Operating Subsidy Program funds to subsidize operations and debt service for the Project; 3) adopting findings that the Project and proposed transactions are consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1; and 4) authorizing the Director of MOHCD and/or the Director of Property, or their designees, to make certain modifications to the loan and grant documents and take certain actions in furtherance of this Resolution, as defined herein.


May 01, 2024 Budget and Finance Committee - RECOMMENDED

May 07, 2024 Board of Supervisors - ADOPTED

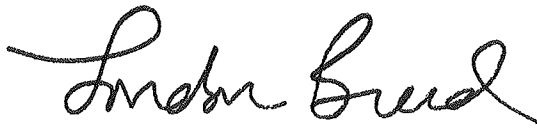
Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

File No. 240374

I hereby certify that the foregoing Resolution was ADOPTED on 5/7/2024 by the Board of Supervisors of the City and County of San Francisco.



Angela Calvillo
Clerk of the Board



London N. Breed
Mayor

5/15/24

Date Approved